

RAILWAYS, ROADS AND THE PUBLIC

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AND
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RAILWAYS, ROADS AND THE PUBLIC

PART I

INTRODUCTION

“PUT it upon the back of the State” is an accepted remedy for many economic and social worries in this year of grace. It is the popular solution because it is the easy solution, and because it is both popular and easy, it prompts the question whether nationalization is the right remedy for the troubles in which British railways and British roads find themselves. Why seek a difficult and troublesome solution when what seems an easy and popular one is at hand?

Nor is the question unimportant. Regarded as a great unit, British transport touches social life at so many and so varied points that no industry contributes more directly and more continuously to the general comfort and well-being. The future of the railways as a public utility, as employers of labour and as a huge reservoir of invested capital, should be the concern of all citizens, and the more so because their widespread activities might seem in themselves to offer justification for the complete public control which a section of their critics demand. Thus, Mr. Herbert Morrison, M.P., who was Minister of Transport in the Labour Government between 1929 and 1931 and speaks with the authority of the Minister

who planned the London Passenger Transport Board, assures us that all will be well if only the four main-line companies give place to a single efficient public corporation for the ownership and management of transport by road and rail. "That," he tells us, "is the only way consistent with the nation's well-being."

Mr. J. Marchbank, General Secretary of the National Union of Railwaymen, reached a similar conclusion when he wrote in the *Railway Review* (December 1, 1938) that

"the Government should take steps to co-ordinate the entire transport system of the country with the object, not only of eliminating cut-throat competition, but of creating a completely integrated transport service which will be adequate for all demands made upon it in the national interest."

"Socialized transport is the only remedy," says Mr. Marchbank.

Finally, Mr. W. T. Griffiths, the late President of the National Union of Railwaymen, speaking at Reading on November 30, 1938, after the railway companies had launched their "Square Deal" campaign, admitted that British railways were victims of unfair competition, but propounded this remedy:

"We say that if the companies are finding things so financially embarrassing that they are unable to meet our reasonable demands for a 50s. minimum wage, 12 days' holiday with pay, and one or two items taken from us since the year the national agreement was signed, the time has arrived for the

Government to step in and say: 'No longer can transport be left to the whims of private enterprise. We will co-ordinate the transport services of the country under Government ownership and control, to give the public a far more efficient service than you have today, and at the same time guarantee those employed in any branch of the service a decent standard of living.' We believe the day is not far distant when, in the interests of the public, the Government, of whatever particular colour it may be, will be compelled to co-ordinate the whole of the transport services of the country. The sooner we get a general election in which the workers can rectify the terrible mistake they made in 1931, the better it will be for all concerned."

Mr. Griffiths concluded with this revealing sentence:

"I am not particularly anxious to see the railways nationalized while the present Government is in office."

THE CRISIS OF 1938

During the war scare of September, 1938, the public had an opportunity of judging what British railways could do in an emergency, and this without any adventitious aid from nationalization. If the crisis of September made it plain that considerations of national defence must not be ignored when the future of British railways is under discussion, it also afforded evidence that a privately owned and operated system could deal with difficult Government requirements promptly, cheaply and, above

all, without inflicting discomfort upon the travelling and trading public.

As a demonstration of quiet efficiency, nothing could have been more conclusive than the work done by the main-line railways in connection with the evacuation of London's civil population. From the railway standpoint it is to be regretted that the process only continued just long enough to show how carefully the plans had been made and how adequate was the machinery employed for its purpose. The transport of half a million school-children was the beginning of a scheme which was to have culminated in the evacuation of two million men, women and children from the East End and other vulnerable parts of London. At the basis of the scheme lay the readiness of the London Passenger Transport Board and the four main-line railways to guarantee the carrying of these two million souls to railheads within a zone of fifty miles from the Metropolis, and this within forty or fifty hours, allowing a margin for delays. Flaws in the organization revealed themselves, but they were not in the part for which the railways made themselves responsible. The railway officials were able to work to a schedule because they had considered the problem in all its detail before it arose, and had trained men and adequate material to deal with it.

Necessarily, one-third of London's population could not be moved without a stern simplification of the problem. None of the two million were to have any choice in regard to their destination. They had

merely to go to one of the "pick-up" stations, warmly clothed and with a handbag and a blanket, and accept a free ticket on one of the emergency trains. These were to be filled and despatched in accordance with the number of persons who could be housed and fed in the several rural areas. The railways decided that their combined resources would enable them to move 100,000 an hour from London. As in 1914, the four general managers of the main-line railways became the chief executive officers in a national transport system, in itself evidence that in any considered scheme the railways are primary and road hauliers secondary in importance and capacity.

Nor was this all. Apart from the function of evacuation, a state of war would have required entirely new methods for transporting food. The intention of the Government was that ships should be almost confined to ports on the west of Britain, where danger from aeroplane attacks would have been less. Already some big motor roads connecting the north-east coast with such centres as Manchester and Liverpool are being built, but, plainly, the greater part of the revised transport system must fall upon the four main-line railways.

Important as are British railways in peacetime as carriers of between 1,200 and 1,300 million passengers, about two-thirds of the national transport and almost all the heavy goods associated with primary industry, they may well be vital in the event of war. It follows that they must be kept in such a state of economic prosperity that full efficiency

is maintained. From the beginning the Government has cast national duties upon British railways, and, by virtue of the fact, has assumed certain responsibilities towards the stockholders who built and own them. Most of them are people of small means who cannot be expected without reward to bear in perpetuity the expense of keeping up a national service.

In the nature of things a national railway system must carry a large fixed capital and be ready to meet heavy running charges. It would not be national unless it was prepared to provide a regular service, with trains which run whether fully loaded or half-loaded. In this respect a railway system differs from transport services offered by the owners of many motor coaches and of all goods lorries. These are at liberty to move their vehicles from an unprofitable to a profitable route, and can do so untroubled by the upkeep of stations and permanent ways. Road operators are also in the happy position of being able to rely at any time and place upon a police force which saves them all the cost of a nation-wide signalling system.

“Railways, Roads and the Public” sets out to consider, among other things, the relation of capital, existing and potential, to an industry of primary importance, but it is not entirely concerned with the interests of present stockholders in the four main-line railways. The theme will be approached from a broader standpoint, and will also embrace the taxpayers who daily need cheap and up-to-date transport for passengers and goods. Necessarily, our

study will include material for forming a generalized impression of existing railway services, which include the payment of more than £100 million a year to about 600 thousand employees. Indeed, not the least of existing evils is that the recent decline in rail traffics is putting the wage standard of hundreds of thousands of workers in peril.

Day in, day out, on the hoardings, through advertising leaflets and in newspaper paragraphs, we hear of the activities of one or other of the four systems. Energetic publicity officers see to this. The journals of the transport trade unions also provide material for a judgment upon the interests of the railway workers. The special case of the stockholders, too, has been kept before the public through Mr. Ashley Brown's able advocacy in the *Railway Stockholder*. Nevertheless, a clear idea of the entire problem is required before a decision can be reached as to whether the public welfare would be better or worse served by the transfer of British railways to national ownership and national control. Lastly, an effort will be made to define the financial conditions essential to successful transport management, which Mr. Herbert Morrison once tabulated under five heads:

1. Good wages and conditions for the workpeople employed.
2. Adequate capital expenditure upon new development, facilities and modernization.
3. Reliable and speedy services everywhere.
4. Rock-bottom fares.
5. Safe, pleasant and comfortable rolling-stock.

With the addition of just remuneration for all stockholders, we can apply Mr. Morrison's criteria to ideal railway management, noting in passing that they agree substantially with a standard which the late Sir Harry Thornton, President of the Canadian National Railways, put into words in an address to the University of Chicago in 1924. He said:

"A railway must maintain solvency, must furnish adequate transportation without discrimination, and at such rates as will permit full economic development in the area served."

It will be found that red herrings in plenty are spread in the path of the investigator, and not a few of them by wily politicians, serving class interests. Nevertheless, when the presence of red herrings has been sensed, a considerable diversity of opinion will be found as to whether nationalization is a possible remedy for present ills, let alone the necessary and inevitable remedy, as Socialist opinion alleges. True it is, in the phrase of Francis Bacon, that "that which man altereth not for the better, Time, the great Innovator, altereth for the worse." Nevertheless, it is not necessary to jump to hasty conclusions. Our own country is by no means the only community facing railway troubles. Indeed, it may well be that basic principles are best ascertained by a study of railway troubles overseas, such as we attempted in "Railways and the State."* In that belief we will

* "Railways and the State: The Problem of Nationalization," by Ernest Short, with Foreword by Sir Charles Stuart-Williams (published December, 1937).

preface references to the railway position in Great Britain with some preliminary remarks upon foreign railways in which State intervention has been judged necessary.

SOCIALISM IN THE SADDLE

In "Railways and the State," the problem of nationalization was approached from the standpoint of foreign countries. At the time there were 848,000 miles of railway in the world, of which 493,000 miles (58 per cent.) were privately owned and operated, 355,000 miles (42 per cent.) being State-owned. Little more than a year has elapsed since the publication of the study, and already not a few disquieting developments have taken place—disquieting, that is to say, from the standpoint of Britons and Americans who have hitherto favoured the principle of private ownership and control in railway management. In Mexico, for example, the management and control of 8,131 miles of railways have been handed over to a Board of Directors and a general manager, *elected from among their number by the employees of the Mexican National Railways*. The Council of Administration in Mexico now consists of seven members elected by the railway employees, and these also elect the general manager. This executive is pledged to maintain the wage scales and conditions of employment laid down in the Labour Law.

A crazy insistence upon the "rights" of democracy can go no further, and it is significant that this climax of folly was reached within two years of a decree

placing the Mexican railway system under State control. When the principle of nationalization had been conceded, the workers in the industry proceeded to demand that full control of the railway system should be handed over to themselves. In future Mexican railways will be run, not for the State, but for the benefit of the existing body of railway workers. Nominally, the Government will take a proportion of the gross revenue, and the Union management is forbidden to run the operating ratio above 85; but when a demand for more wages or easier working conditions is set against mere book-keeping, there is little doubt where victory will rest.

Syndicalism is not a familiar phenomenon in British politics. Our Socialists have tended to be Collectivists, following the lead of the Fabians, who refused to swallow the philosophy of Marx whole, but renewed the red corpuscles of their doctrine with morsels carefully selected by the Webbs. Syndicalism arose in France towards the end of the nineteenth century as a rank-and-file movement in French trade unions (*syndicats*), and at its best represented a protest against the failure of Socialism or Collectivism to redeem its promises. Unhappily, it involves the repudiation of all authority, including that of the very leaders of Labour, and thus proclaims mass war in its crudest form. Its weapon is the general strike and its certain end anarchy. It is therefore a little disturbing to find in the *Railway Review* a note by the General Secretary of the National Union of Railwaymen (June 24, 1938) sug-

gesting that British Labour was inclined to look favourably upon the developments in Mexican railways. Stress was laid upon the fact that the workers controlled all industries and services taken over by the State, and that this was a recognized feature of recent changes in the economic life of Mexico. Mr. Marchbank added, "It will be interesting to watch developments." A few weeks earlier (*Railway Review*, April 22, 1938), Mr. Marchbank, commenting upon Mexico's seizure of the properties of foreign investors, wrote :

"It is surprising, in these circumstances, that the British Government should have rushed precipitately to the rescue of one of these companies. It is not so surprising, but perfectly intelligible and characteristic, when one sees the Chamberlain government, as the active agent of capitalism, in conflict with democratic, anti-capitalist, strongly Socialist governments like the one of which President Cardenas is the head."

Other commentators not unnaturally associate the syndicalist developments in Mexico with certain curious notions of international honesty revealed in Mexico's seizure of foreign-owned land and foreign-owned oilfields. In the first place an armed peasantry was encouraged to despoil the estates of the big land-owners, and then the oil-workers were encouraged to strike for exorbitant wages. When foreign-owned companies pleaded that bankruptcy must result if the wages demands were granted and produced their books in evidence thereof, barefaced expropriation

of property was invoked to solve the clash of interests, the bench of judges assisting in making the seizure easy. The fact is that today no Mexican government can live without the support of the Confederation of Mexican Labourers, which represents 90 per cent. of organized labour and is led by the lawyer Vicente Lombardo Teledano. President Cardenas, the "Little Father" of Mexico, is no more than a puppet in the hands of the proletariat. The national railway system with all its worries has been duly packed upon the back of that patient ass, the Mexican State. The result may conceivably be wages and working conditions approved by the present managers of the Mexican railway system, but it will be strange if any other of the criteria cited by Mr. Herbert Morrison are fulfilled.

It will be apparent before this study is completed that the crux of the nationalization problem is the provision of public money, not only for the payment of wages, but for necessary extensions and the replacement of outworn stock. The buying-out of existing shareholders is simple, but who is to decide what is the proper worth of a railwayman's work and how much in any Budget is to be allotted to railway services? Under the system hitherto prevailing in Britain an interested public has decided for itself by its willingness to pay for the facilities it judged desirable. That principle still rules in Mr. Morrison's London Passenger Transport Board, but it will not rule if full nationalization is decided upon. Sooner or later must arise the clash of interests which made

the Mexican railwaymen demand the national lines. What is to be paid and who is to pay are ultimate questions in the railway world. Whether the State be democratic, totalitarian or communist, public utilities will still need periodic supplies of capital, just as surely as they will need to feed, clothe, house and amuse their employees. Always the prime problem in connection with railway management must be who shall pay—those who use the public service or the general body of taxpayers?

What has happened in Mexico recalls certain unhappy experiments of post-war Italy, where the railway workers also secured virtual control of the railway lines, though not in the publicly acknowledged form of Mexico. Thus, an eight-hour day was instituted and was enforced in such a manner that many railwaymen worked only for two or three hours. Time spent in going to and from work was included in the daily shift! This slackness in time-keeping was accompanied by an enormous increase in the number of employees. The 154,000 of 1913 had risen to 235,000 by 1920. In a single year after he came to power, Signor Mussolini reduced the railway staff from 226,000 to 180,000, and at the same time secured a 50 per cent. reduction in the men absent on sick pay. In Italy, as in France, sick leave on full pay had resulted in wholesale malingering.

Since 1922 the Fascist autocracy has substituted a business-like efficiency for the chaos to which Socialist Syndicalism had reduced the Italian railway system. Today the industry is controlled by machinery akin

to Whitley Councils, which has the power to give collective agreements the force of law. The threat to strike is no longer effective.

In the operation of all big-scale public utilities there is a tendency to wink at overstaffing and a desire to avoid thrusting men out of jobs, even if those jobs no longer exist. Already critics of British railways make this complaint, and with some truth. If this attitude exists under private ownership, when there should still be some incentive to make profits, the tendency will certainly reach big dimensions when the State becomes wholly responsible for the payment of wages and the work to be extracted in return for employment, always presuming that the advent of Fascism or Nazi-ism has not deprived the working man of all say in his own well-being.

RUSSIA

Nor is the experience of Soviet Russia in connection with trade union management without interest. The unfairness of workers taking over selected industries at once became manifest, and in the end a sharp distinction was recognized between managing an industry and defending the interests of its employees. By 1921 the Russian trade unions had been deprived of all management rights, and two years later trade union intervention was not even regarded as justifiable in connection with charges of under-production. Today Moscow is supreme, and managements which fail to meet the harsh requirements of Soviet headquarters are in danger of punish-

ment, which may entail death sentences. As for individual workers, a system of labour cards has been introduced which Englishmen would regard as nearly approaching slavery. The labour card is a booklet giving every possible detail of the holder's industrial career, including the reason why he left any job. The factory manager keeps this card, and only returns it to the worker when he is dismissed. Yet no one can secure employment without the card. Accordingly, it is impossible for any worker to leave a factory in search of better or more remunerative work. However skilled he may become, he is bound to stay put, as the phrase is. The labour card is the Soviet method of keeping down wages.

Geographical, political and social circumstances in Russia differ so widely from those in Britain that any comparison of the respective railway systems can have no value, but a brief review does promise light upon the management of public utilities under a Socialist system of government. The basic fact in connection with Russian railways is that rivers are icebound and roadways are snowbound for almost half the year. In the winter, however, the snow offers wonderful opportunities to sledges drawn by horses, and, as the season releases horses from farm work, sledging is the accepted method of transport. Nevertheless, in Russia, railways are the only regular means of communication during the periods of ice-formation and while the snow is falling or melting, and they are also the fastest means of communication at all times. Since 1918 the Soviet Government has endeavoured

to increase the number of railway miles open, but without success. The present total is about 83,000 kilometres.

The outstanding weakness in the Russian railway system is the incompetence of proletariat management. Derailments are common, and they are due, not to sabotage, as Moscow chooses to allege, but to defects in the permanent way which cause the sagging of rails and the loosening of joints. It is a practice in Russia to put a "bandage" or strap of sheet iron over any fracture in a rail. The low technical understanding of officials who expect a strap of sheet iron to withstand the strain due to a fully loaded train need not be emphasized. No goods trains in Soviet Russia run to schedule, and passenger trains almost invariably suffer long delays. It has been estimated that 56 per cent. of such delays are due to the necessity for reducing speed owing to inaccurately laid tracks, and it is admitted that the rolled iron and steel products from Russian factories are often shoddy.

Mr. Makcheeff,* using official Soviet data, has calculated that the daily output by workers in the building industry in Russia is only a fraction of that in Europe. If a similar comparison holds good of the labour employed in connection with Russian railways, it is easy to see why the service is so ineffective and accidents so numerous. No more damn-

* Mr. Th. Makcheeff contributed an important article upon Russian Railways to the August-October (1938) issue of *Contemporary Russia*.

ing admission could be made than that of M. Kaganovich, addressing the Plenum of the Central Committee of the Communist Party in December, 1937. Kaganovich stated that out of the 83,000 kilometres of railways, 30,861 kilometres convey 70 per cent. of the goods traffic, and accordingly repair work is being concentrated on this 30,861 kilometres of line. The other 52,000 kilometres of line are being left to rot, though the neglect of repairs manifestly deprives Soviet Russia of almost all the strategic value the complete railway system may have.

The point is worthy of emphasis, as one of the claims made for public ownership and control is that the needs of national defence alone make national management essential. Today Russia's railway system is such that it will certainly fail in its primary task, that of keeping an adequate army in the field against Japan. It has been estimated that at least two trains and probably three trains a day are required to keep a division of a modern army fully supplied and fed in the field. If this is so, the existing railway system alone makes it certain that Russia will not be able to supply more than 300,000 men—that is, fifteen infantry divisions. Moreover, it is estimated that the Bolsheviks have 1,000 tanks and 1,500 aeroplanes in the Far East. Experience in the World War suggests that each tank in action should be supported by 46 men in the rear, while each aeroplane may well require 60 men in the rear. These tanks and aeroplanes therefore require yet another 130,000 men, who would also have to be supplied with food and

material, in addition to the 15 or 16 infantry divisions already mentioned.

It is to be noted that, on the European continent, the road-rail problem is complicated by the desire to motorize modern armies. Fleets of motor vehicles have been called into being because railway lines and junctions are judged to be more open to air attacks than main roads and motor garages. Presumably this military consideration will not materially affect the issue in Britain. Here a main-line train under steam would seem to be as safe as any form of public transport, and would, moreover, call for the minimum of imported fuel. The war threat of 1938 did, indeed, suggest the necessity for certain reforms, and one was the desirability of a skeleton staff drawn from the railway, road, dock and canal personnel, ready to co-operate with the Army, the Navy and the Air Force at the first threat of war. This nucleus of civilians could meet occasionally and assure itself that rolling-stock and other essentials to speedy transport were being duly scheduled. Months were required to improvise the organization set up by Sir Eric Geddes in 1916; as many days should suffice if a nucleus staff, fortified by detailed plans, assumed the direction of affairs directly the need arose. The other outstanding truth seems to be that, whereas the London Passenger Transport Board and the main-line railways were ready, the road transporters not only were unready, but could not possibly be ready. The dispersal of their vehicles over the countryside alone forbade readiness. A

railway system by its very nature must be able to deal with crises, even if these crises are accidents. It has also its material and personnel ever to hand. At present, an organizer knows in general outline what the railways can do; he is ignorant of the potentialities of thousands of hauliers, scattered over the public roads.

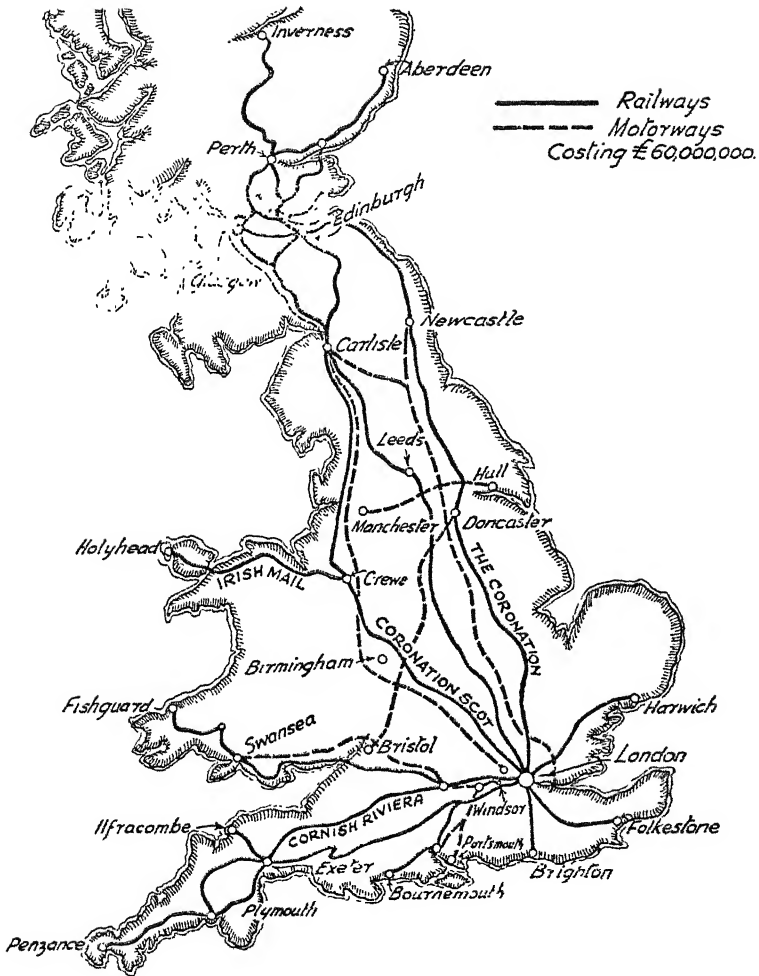
Following the crisis of September, the British Road Federation promptly launched a campaign in favour of great trunk roads from ports in the West and South, where food and raw material would be discharged in wartime, to the main centres of population. Our contention is that it would be far wiser to spend the money upon bringing railway facilities fully up to date than in spending untold millions upon motoring roads of the German or Italian pattern. These would not materially relieve traffic congestion in peacetime, though they would doubtless encourage speed records. Even the systematic and intensive grouping of road hauliers, which is very desirable, would still leave the four British railway systems as the only fitting organization for the general evacuation of civilians, the transport of troops and a score of similar operations. Railways are by nature big-scale operators; road hauliers are not. Sir Ralph Glyn, M.P., did not go beyond the truth when he claimed that the railways can win or lose a war, being, for Britain, the only organization in the country that can provide the capacity and speed necessary to bear the brunt of the nation's war-time traffic requirements. As Sir Ralph wrote:

“Strings of lorries, with a driver for each one of them, could not attempt to take the place of trains (each manned by a crew of three) averaging 34 wagons of 12 tons capacity, and moving in peacetime 50,000,000 ton miles of freight a day.”

It is instructive to compare one of the more moderate schemes for motorway construction with existing railway facilities and judge whether the contemplated expenditure can be justified on national grounds. Thus, the County Surveyors Society has fathered a scheme for building a thousand miles of motorways to be kept exclusively for motor traffic, and when the scheme was sent to the Minister of Transport for consideration the cost was estimated to be £60,000,000. Our map shows how closely the transport facilities of the proposed motorways duplicate existing railroads, and surely makes it plain that if £60,000,000 of public money are to be spent the travelling and trading public as a whole should benefit and not a few hundred thousand high-speed motorists.

NATIONALIZATION IN FRANCE

In France yet another type of national control is being applied to the railway system. Though an important element of private ownership remains, the principle of unified control under national management has passed from the sphere of legislation to that of actual operation. During 1938 the five main lines were merged, thus completing the process of State control and unification which commenced in 1921,



RAILWAYS OR HIGH-SPEED MOTORWAYS?

when the pooling of receipts was introduced. Bondholders have not suffered by the change. If the Government does not sanction any needful increase in fares and rates, the bondholders can claim equivalent credits immediately out of the national revenue and thus cover any deficit on the year. M. de Monzie, Minister of Public Works in the Daladier Government, hopes to achieve an equilibrium of receipts and expenditure by confining all long-distance transport to the railways. He also proposes to suppress passenger traffic on between 4,000 and 5,000 miles of railways—that is to say, on about one-sixth of the entire French system. As for labour, forty thousand workers, out of half a million, are to go. French railways have been “overstaffed.”

In France the real trouble is not technical, but financial. Under the unification law of 1937, the National Railway Company was required to balance its operating revenue and expenses account each year, leaving the State to deal with the interest upon the accumulated debts. In fact, there will be a deficit of £47,000,000 in 1938 if interest charges are included, or £16,700,000 if equilibrium only means balancing revenue and operating expenses. When the deficit revealed itself, the “minor equilibrium” was reduced by higher passenger and freight charges and by the National Railway Company being credited with £3,400,000, owing to deductions in the tax upon fares and freight charges. But the deficit is still very serious, and the evil is none the less because the Government bears the burden and

not a few hundred thousand unhappy stockholders. If successive French Governments had permitted proper increases in fares and freights, the deficits would never have reached their present proportions. Political interference, direct and indirect, has been the bane of railway management, and perhaps the most ominous portents are those which associate themselves with the electoral influence of the lower grades of the railway workers and the direct pressure exerted by the Federation of French Railwaymen upon the management. When weakness in meeting labour pressure is associated with the anxiety of the general public to escape paying for the facilities they demand, ever-growing deficits in public utilities are inevitable.

AMERICA SEEKS A REMEDY

Apart from Great Britain, the United States is the outstanding exponent of privately owned and controlled companies in the railway world. Out of the 492,000 miles of privately owned lines in the world, 240,800 miles are in the United States. About 1,500,000 railway stockholders own securities, which have an aggregate market value of about sixteen thousand million dollars (\$16,000,000,000) even at existing depreciated prices. Between May, 1933, and December, 1937, the prices of materials and supplies bought by United States railways increased by about 40 per cent., while taxes rose by 25 per cent. and wages by 18 per cent. In consequence, the net income of United States railways in 1937 was

only 98 million dollars, whereas it was 897 million dollars in 1929. As in Britain, the situation worsened in the first half of 1938, and at the time of writing the debit as between operating costs and revenue is practically the same as that in 1932, when the economic crisis was at its worst. By 1938, 96 railroads, operating 71,396 miles of track, were in the hands of receivers, with all the evil consequences to the public which bankrupt utility services entail.

During the period of poor trade the railways' rolling-stock deteriorated rapidly. In 1938, 58 per cent. of the freight cars were more than 15 years old and 21 per cent. were more than 25 years old. Only 7 per cent. have been built within the decade. By the end of 1937 the situation was so serious that President Roosevelt requested the Interstate Commerce Commission to prepare a comprehensive scheme for preserving the solvency of any lines which could be saved from the existing economic chaos. The President made it plain that his Government would not assume responsibility for insolvent lines. Investors would have to pocket their losses, yet the President was definitely desirous of avoiding State ownership of the lines and the Interstate Commerce Commissioners were asked to prepare plans for preserving their private management.

As a result of the President's intervention, the Commission has reported in favour of the unification of United States railways under a single government-controlled private company. The first step will be to create a Federal Transportation Authority for two

year, to ensure the elimination of waste in railway management and to aid consolidation and abate destructive competition. Eventually the new government-controlled company will buy the railways from their present owners, giving in exchange its own securities, which will be supported by some sort of government guarantee. Apparently, the income of all the railways will be pooled, and semi-prosperous lines will thus support the weaker ones.

The outstanding problem in the United States, however, is whether the railway trade unions will permit private management to continue, or whether they will persist in wage demands which must result in making it financially impossible. An increase of 18 per cent. in wages which was operative in 1938 being clearly uneconomic, the railway companies suggested a wage reduction of 15 per cent. which would apply to 929,000 employees, and was estimated to decrease railway expenses by £50,000,000. Not only did the trade unions refuse to consider the wage reduction, but they caused influential supporters in the Senate to block the railroad relief measures which the Roosevelt Government had submitted. The Reconstruction Finance Board made every effort to grant advances to companies which were facing bankruptcy, and asked Congress to give wider powers to grant railway loans, but Labour opposition frustrated the Board's efforts.

In the States, as in Britain, the root railway trouble is the difficulty of adjusting growing expenditure to falling revenue. The railway "Brotherhood," under

threat of a strike, opposes wage cuts, while public opposition can readily be aroused when it is proposed that unprofitable lines should be abandoned or existing rate levels raised. Thus the only resource left to needy railways is an application to the Federal Government for financial assistance. In fact, the Reconstruction Finance Corporation handed over 573 million dollars to American railways before it was decided that such burdens upon the public could not further be increased.

ROAD AND RAIL RIVALRY

Putting aside the special cases of Russia and Mexico, what factors are making railway management all over the world so troublesome? Surely the chief factor is that in the nineteenth century railways, the world over, enjoyed a virtual monopoly. In Britain, at any rate, they will never do so again. Yet they are still hampered by freight restrictions and other controls which could doubtless be justified under monopolistic conditions, but are sadly out of date when the railways are struggling for very life against the competition of the petrol-driven car, cheap shipping and speedy air services.

British railways were built in times when any monopoly was to be feared, and, very early, Parliament determined that the British railways should not be free agents. As regards general industry, "laissez faire" was an accepted principle, but in the case of the railways it was accompanied by many

legislative checks. The first public railway, the Surrey Iron Railway, was opened in 1805, and already maximum charges were fixed on the basis of the ton-mile system which regulated charges on the canals. When the Liverpool and Manchester Railway was opened in 1830, Parliament ordained that the railways must carry passengers and merchandise, thus making them common carriers, with an obligation to provide facilities for all transport which was offered. These and similar obligations were finally embodied in the Railways Act of 1921, which also provides that the regulated charges shall be published, so that all competitors know precisely what prices must be quoted should they desire to undercut the railway rates.

The London Traffic Act of 1924 marked the end of "laissez faire" as the accepted theory in respect of transport, and today Conservative, Liberal and Socialist opinion is agreed that free competition is against the public interest. Free competition under modern conditions inevitably results in inadequate earnings and, therefore, in the steady depreciation of rolling-stock and other units which must regularly be replaced through surplus profits. The experience of Labour leaders when serving upon municipal councils which owned tramway and similar services was largely instrumental in bringing about the existing unanimity. Practical experience had shown that over-competition necessarily results in empty seats, and, in the railway world, unoccupied seats and unfilled freight wagons must eventually

be paid for in one of five ways—capital losses, too high fares, low wages, poor working conditions for workers or the neglect of unprofitable routes.

Unhappily, the competition of the road hauliers arose in haphazard fashion and at a time when the railway companies had not full control of their properties. Army lorries were sold in job lots at the end of the World War, and their new owners entered the transport business with no other idea than picking up any work which offered. When the army lorries wore out, more suitable vehicles were substituted, and only then did the four main-line railways realize that their pre-war monopoly was a thing of the past. Not a little of this over-competition from road transport might have been avoided if the railways had been quicker in seeing the danger ahead. When they did realize it, the House of Commons, still suspicious of anything in the nature of a railway monopoly, forbade the railways finding safety by themselves engaging in the motor coach and road haulage industry. Only in 1928 were the main-line railways permitted to build and operate their own motor coaches and lorries and thus protect their traffic. As usual, the legislators were well behind enlightened expert opinion, which saw motor coaches and motor lorries destroying the rate system upon which British railways relied for their profits.

The situation must not be misunderstood. British railways have no right to a monopoly of public transport. The pre-war monopoly was a fact, not a right. Today road carriage is as necessary as rail

transport in the public interest. If there are 600,000 employees in the railway service, there are 525,000 lorry drivers, mates and fitters. Indeed, the total number of workers in road transport and allied trades is estimated to be 1,287,000, and the annual yield of taxation upon vehicles, driving licences and petrol duties is in the neighbourhood of £88,000,000. An industry of such dimensions should be firm fixed upon a sound economic basis, particularly as the present trend of British industry is towards relatively light products and therefore wares which are well fitted for road transport.

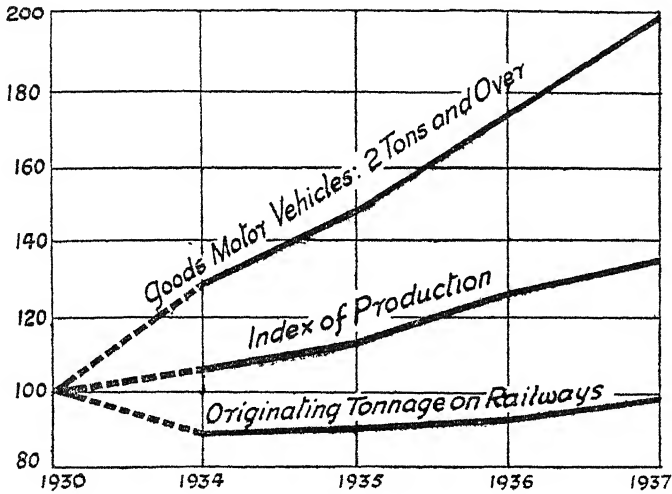
As the nineteenth century was undeniably the Railway Age, so the twentieth century seems destined to be that of the petrol-driven car, with the highly important addendum that the usefulness of railways is by no means exhausted. Progress seems to lie in co-ordinating the facilities for transport with which we are now familiar rather than in congesting the streets with more and still larger lorries. Road transport has come to stay, but a clear definition of its relation to other forms of transport, and particularly to the railways, is urgently called for. It seems certain that the proper method for conveying loads aggregating many tons over long distances is by rail, thus preventing destruction of the highways and at least minimizing the loss of life which is a disgrace to the community. Since the advent of motor vehicles *en masse* on British roads when the World War ended, the deaths have totalled 110,000 and the number of injuries 3,250,000. These awful totals

would be materially reduced if road hauliers and holders of "C" licences were compelled "to stick to their last."

We have no desire to press this argument. Road hauliers are not solely responsible for the death and accident rate on British roads. Moreover, it is far from desirable to aggravate the existing friction between road and rail. What is wanted is a well-considered and reasonable compromise, a desideratum not easily arranged. At present there are something like 60,000 separate road transport undertakings, most of them owners of two or three vehicles. The difficulty of coming to any acceptable agreement with so many and so varied units need not be emphasized. As if this was not enough, there remain the holders of "C" licences, who run vehicles owned by trading concerns, as opposed to vans and lorries owned by commercial hauliers plying for hire. It cannot be desirable to hamper traders who find it economic to buy and operate their own motor vehicles, but the number of really heavy lorries, travelling hundreds of miles, might well be restricted, particularly as the evil is a growing one. In 1931 lorries of the 2- and $2\frac{1}{2}$ -ton class constituted only about $7\frac{1}{2}$ per cent. of the whole. Now the big lorry constitutes more than 30 per cent. of the whole. Some of the 3-ton lorries are capable of carrying 4 or even 5 tons, and do so, in defiance of the road regulations.

An interesting chart based upon official sources gives a graphic representation of the fall in railway

goods traffic due to road competition. In spite of a considerable increase in general industrial production, goods traffic on the main-line railways in 1937 was rather less than it was in 1930, and in 1938 there was a marked decline on 1937 figures.



In countries where nationalization has been enforced, a drastic control of road transport has been adopted. Thus the Swiss Government has laid down the principle that journeys over 19 miles (30 kilometres) should be performed by rail, while an Act was passed in Germany in 1931 expressly licensing long-distance hauliers—that is, those permitted to make journeys exceeding 31 miles. These long-distance licences fix their rates after consultation with the Reichsbahn (State Railways), so competition

is no longer possible. Goods transported by road for distances less than 31 miles are unhampered.

In France, as has been said, such big sums of money are being lost by the National Railway Company that every possible method is being explored for securing more traffic for the railways. Thus a Presidential decree in 1938 fixed identical passenger rates where road and rail services cover approximately the same ground. Another decree ordained that long-distance road transporters must not charge less for their services than long-distance rail transporters. In addition, all State departments must use the railways whenever possible. Other recent changes in the French law provide that no lorry must exceed 10 tons in weight and all short-distance operators must keep a register of goods carried more than 100 kilometres (62 miles), which register can be consulted by the licensing authorities at any time.

It will be a matter for regret if such drastic restrictions have to be adopted in Great Britain, but it is certain that some control of charges and conditions of road service will have to be made if British railways are to continue to pay fair wages to half a million workers and yet offer just dividends to their 850,000 shareholdings. The argument is often wrongly stated, but there can be no doubt that road transporters are a favoured class. The railways have no just complaint regarding the taxation of road hauliers and the proportion they pay towards road upkeep. That is ample. The total cost of road

upkeep at the time of the Salter Commission was estimated to be £60,000,000, while the total motor taxation is now £88,000,000 a year. There seems no doubt that road transport pays more than the cost of the upkeep of its track. What it is not burdened with is the original cost of laying the "road lines."

There is no escape from this proposition. The railway lines were built at the cost of private investors; the public roads at the cost of the taxpayer. It follows that road hauliers have the use of, say, £1,500 million worth of roadway for which they have paid nothing on capital account. Manifestly, if they were deprived of the use of the roads, the hauliers would have to go out of business or build other roads at a replacement cost which has been estimated to be £3,000 million, entailing an annual interest of £120 million on a 4 per cent. basis. The £3,000 million is comparable with the £1,093 million representing the capital receipts of the four main-line railways, or the £2,000 million which it would cost to replace existing railroads, supposing such a thing possible. If it be taken for granted that the railways represent an obsolete form of travel, those who built them have no legitimate complaint. They are in the position of investors who have speculated and lost. But does anyone pretend that British railways are obsolete or that they can become so while millions of tons of coal and iron ore demand transport and millions of passengers must be carried in the day-to-day conduct of industry? Motor-coach

owners, road hauliers and holders of "C" licences are not in a position to do the work, even if the roads themselves permitted the experiment.

Unhappily for the railways, the decline in export trade and the development of British industry have aggravated the evils arising from the shock administered to the freight system. In place of more heavy industries, which naturally favour transport by rail, light industries have been established, and these tend to do more and more of their own transport through the agency of "C" licence vans and lorries. As a consequence railway passengers and freight-users are profiting at the expense of junior stockholders in the four main-line railways. The directors and officials of the lines have their income assured; so have the owners of first-charge debentures and the general body of workers. Half a million of them have been able to bring sufficient pressure to bear to assure wages which, if not generous, are at any rate about 120 per cent. above the pre-war standard. Thus junior stockholders stand to bear the whole brunt. The manufacturer, too, has his coal and other heavy traffic handled at rates which may have been just when the railways enjoyed a monopoly, but are manifestly unjust if the really remunerative traffic continues to be annexed by road hauliers, leaving the railways to deal with the unremunerative low-grade traffic. The argument was put very concretely by Mr. Cole Deacon, of the Railway Companies Association, in a speech before the Rates Tribunal. Mr. Cole Deacon said:

“The road haulier can charge 9s. 6d. one day, 15s. the next day for the same article, and on the third day he can refuse to carry it altogether. We, on the other hand, have the barbed-wire entanglement of the classification, and the further entanglement of a strictly controlled rates structure. We find that having got a good pay-load in one direction, the haulier will bring valuable traffic back at a low rate rather than go back unloaded.”

This is not fair competition. When the railways held a monopoly, uniform charges and their due publication were natural, but today both uniformity and publication serve as big handicaps. The most dangerous competition which the railways have to meet arises from the fact that road transporters can alter their rates at any time to create business or meet competition; on the contrary, the railway companies are obliged to go through a costly and protracted procedure before the Rates Tribunal can be persuaded to sanction any general rise in traffic rates. Indeed, the existing machinery is so cumbersome that British railways are in constant danger of missing any period of general trade activity. This seems to have been the case in 1937, when the increase in fares and freight rates came into operation only when the general trade activity was passing its peak. In the alternative, the large fixed charges of the railways cannot now be adjusted to meet trade depression. Sixty per cent. of British railway charges consist of these fixed charges, all of which must be met even if national trade is declining and traffic is consequently decreasing.

In general, the main lines have no reason to fear competition from road hauliers if an all-inclusive test is adopted. What they have to fear are exorbitant wage demands by powerful trade unions and the disinclination of the public to pay fair rates for services rendered, a disinclination which has been encouraged by one-sided legislation.

BIG-SCALE PLANNING

One reason why the nationalization of public utilities tends to capture the imagination of the uncritical is that, hitherto, progress in all forms of transport has arisen from small independent units being superseded by corporations, not only of ever-increasing size, but of ever-increasing responsibility to the public. This fact has suggested that the ordained end of every big transport agency is acceptance as a public utility, with a duty to no one apart from the whole body of citizens. This, however, is not necessarily true. An industry doing a simple service, such as the carriage of letters, may function under public ownership and ministerial control. It is less certain that such management is suitable for services which presuppose an infinite capacity for forecasting industrial experiments. Transport organizations, regarded as public utilities, are required to satisfy an infinity of whims and caprices, and must be ready to meet very varying tastes before these even find definite expression.

Truth to tell, there are snags in big-scale planning, most of them being of human origin, and the

country will be wise to move warily before it commits itself to a single organization operating all its railways, roads, canals and coastwise shipping. Few notions are more fantastic than the belief that the bigger the public utility, the more effective it is likely to be. Theoretically, large-scale planning is an element in the full success of such concerns, but scores of special considerations must arise when the centralized unit covers such an amorphous congeries of actualities and potentialities as the Big Four in British railways, plus all the passenger and freight facilities using British roads. The annual amount expended upon British transport in a single year alone suggests the need for thought before irrevocable decisions are made. The figure, £500 million, is more than one-half of the country's annual Budget. Is it certain that any official or group of officials fitted to assume responsibility for the whole transport system of Britain and its neighbouring seas can be found and if found replaced and maintained free of political influences?

The Railways Act of 1921 welded 120 separate railway units into four large groups, and few will deny that the change benefited transport in Great Britain. It permitted widespread standardization which would have been impossible if 120 separate managements had claimed a voice in any final decision. Moreover, it substituted what seemed four financially strong organizations for numerous weak ones, and today permits of close co-operation between the four companies in numerous directions, not the

least being the avoidance of waste by duplicating services.

If a large measure of amalgamation in the British transport world was not only desirable but essential in 1921, certain grave obstacles to complete fusion between road and rail facilities were revealed by the experiment in wholesale co-ordination upon which the Government of Northern Ireland embarked in 1934. Here was a relatively small and self-contained unit, where big-scale planning was likely to have as good a chance of success as anywhere. The bases of the plan, moreover, had been laid by a transport authority of wide experience and real vision, Sir Felix Pole. In 1934, when the Northern Ireland scheme was inaugurated, students of transport claimed that Ireland had advanced farther than any part of the trading world towards the ideal of all-transport administration—complete co-ordination and unified financial control of all forms of public inland carriage.

In the Free State co-ordination was effected by grouping all road and rail undertakings under the ownership of the Great Southern Railways—in other words, by giving this line a monopoly of road and rail transport in Eire. The Free State public was supposedly protected because the distributable profit was fixed at a very low maximum, with a proviso that 80 per cent. of any excess profit should be utilized to provide travellers and traders with better or cheaper facilities. In Northern Ireland the solution selected was different. Here the railway companies

were deprived of the right to operate road vehicles, and all coaches and lorries were transferred to a Road Transport Board, charged with the duty of controlling both passenger and goods transport on the public roads. The three railway companies and the new Road Board were linked up through a Standing Joint Committee, charged with deciding which services should be run by rail and which by road, and the charges to be levied by both.

In fact, wasteful, nay, ruinous, competition did not cease. In Northern Ireland the moneys paid out by the Transport Board in compensation for the transport agencies taken over were generous and certainly higher than would have been paid under business conditions, as the old-time profits had been inflated by long hours and low wages. Moreover, loopholes in the Act constituting the Board resulted in two-thirds of the old-time transport business passing to new private owners, instead of to the Board or the railways as had been anticipated. In the summer of 1938 the Northern Ireland Road Transport Board was losing traffic at the rate of £600,000 a year to ex-hauliers, who, having received compensation from the Board, turned themselves into merchants or entered into nominal partnerships with persons for whom they formerly carried goods. Ulster, in fact, discovered that the real danger to any national organization appointed to deal with uneconomic transport rates lies with the holders of "C" licences. It is easy to argue that such a Board or its associated railway lines can quote rates which leave merchants with no

temptation to operate their own vans or lorries, but in fact no one can say with certainty that merchants or manufacturers will not take out "C" licences, even if the cost is manifestly higher than equivalent services would be through the Board. Mr. D. L. Clarke, in a paper read before the Institute of Transport in 1938, instanced a small business man who ran a lorry, though demonstrably it was costing him £100 a year more than he would have paid for the cartage of his goods by the Ulster Board. As Chairman of the Northern Ireland Road Transport Board, Mr. Clarke spoke with inside knowledge.

The repercussions upon stockholders in the Northern Ireland railways need not be emphasized. No distributions were made on the 4 per cent. Preference shares or Ordinary stock in 1938, and the interim dividend on the 4 per cent. guaranteed stock was passed, subject to a revision at the end of the year which is unlikely to afford comfort to holders. The position of stockholders in the Great Southern Railways is equally serious. First, a Railways Act of 1933 drastically reduced the nominal value of shares and debentures, a capital of £25,044,000 being practically halved. Ordinary stock lost 90 per cent. of its value. At the same time the Standard Revenue, fixed under the Railways Act of 1924 at £1,169,000, was reduced to £561,000. By August, 1938, the situation was so serious that the Great Southern was forced to terminate the engagements of all its employees, and re-engaged them on a day-to-day basis. The whole position of transport in Eire was so dis-

tressful that a tribunal had to be appointed to find methods for averting complete disaster. As Mr. Sean Lemass, Minister for Industry and Commerce, told the Dail, "unless major decisions were taken the Great Southern Railways and the company's rival, the Ulster-owned Great Northern Railway (Ireland), would have to be stopped."

When stockholders alone were hit, Southern Irishmen were content to leave the evil thing alone, but a threat to the wages and working conditions of thousands of employees raised more dangerous issues. Today the suggested remedy is the old one, *put the burden on the broad back of the State*. The obvious comment is that Great Southern Railways already has something very like the complete monopoly which nationalization presupposes. The company, which is the only railway concern in Eire, has power to acquire compulsorily all road transport concerns outside the urban areas of Greater Dublin and Cork, and no lorries in private ownership can be hired out for transport services. What more can legislation give? One proposal is that all private lorries should be prohibited in Eire. Another is that lorry transport should be unrestricted in Eire, but that a tax should be levied upon it which would subsidize at least a skeleton railway service in the Dominion.

What really happened was that Irish wit and ingenuity proved too keen for the Ulster and Eire legislatures, and there is no reason to think that the wit and ingenuity of British transport agencies will be any less keen should the House of Commons em-

bark upon big-scale planning in the realm of transport. At any rate British legislators would be well advised to study Irish happenings with care. Private unregistered lorry owners were still permitted to carry their own produce, though they could not do so as agents. Accordingly, the status of principal and agent began to be changed at will. For example, carriers have been buying new lorries with the moneys paid as compensation, and these lorries are being used to carry goods at cut prices for farmers and traders. The expedient is simple enough. Goods are purchased at an unfixed price, and after they have been sold the purchase price of the goods is fixed at the selling price, *less the charge for carriage*. How easy and how Irish! The experience of Ireland suggests that in Britain, too, the paramount interests of the public may well be sacrificed if decisions are taken regarding road and rail facilities without considering the competition which may arise from holders of "C" licences—that is, factory owners and trading firms who use motor lorries and vans wholly in their own business. Sir James Milne, General Manager of the Great Western Railway, has even asked if the time may not be coming when the use of "C" licences will have to be limited after the continental fashion, and this not in the interests of the railway companies, but in the interests of users of the public roads. "May it not be desirable to confine the distribution of goods by road within a radius of 25 miles from the factory or business house, leaving the longer distances to be covered by recog-

nized road hauliers holding 'A' or 'B' licences?" Sir James Milne added that it might even be desirable to withdraw "C" licences altogether, and replace them by contracts under which traders would be supplied with vehicles and drivers owned by a relatively few recognized transport organizations which would also be responsible for their maintenance, and who, because of their restricted number, could be forced to observe trade bargains and comply with the laws regulating wages, hours of work and road speed.

Needless to say, no changes of this kind can be justified on railway grounds alone. The railways, as railways, are only part of a general transport system, and can claim no special privileges. The horse omnibus had to give way to the motor omnibus, and the municipal tramway is disappearing in face of such services as the trackless trolley. A railway line cannot ask for any different treatment. Without a doubt the petrol-driven passenger coach has come to stay. Road hauliers, too, offer a valuable house-to-house delivery and the frequent service which is often beyond the capacity of the railways. But the railways can justly point out that certain restrictions upon road transport have already been proved necessary and further changes may be desirable in the public interest.

In this connection it is worthy of notice that one of the responsible elements in British transport, the National Road Transport Employers Federation, has definitely announced that the carrying industry is

opposed to the public roads being thrown open to "all and sundry." It adds, "Although improvements in the present licensing system are most desirable, no one with a knowledge of the evils of unregulated competition would advocate the abandonment of the licensing system."

The Road Traffic Act of 1930 gave the Traffic Commissioners power to give or withhold licences for omnibus and motor coach services. Similarly, the Road and Rail Traffic Act of 1933 controls the size and number of vehicles used on the road by general transport contractors, operating under a public "A" carriers' licence, and "B" licence operators, who use their vehicles partly for public haulage and partly in their own business. The Act also permits appeals to the Licensing Authority with a view to preventing newcomers to the road securing "A" or "B" licences, if it can be shown that adequate means of transport already exist. This right of appeal is used by the railways and other existing carriers to discourage undue competition. Examiners under the Road and Rail Traffic Act are also slowly enforcing standards of mechanical fitness upon vehicles, while the Road Haulage Wages Act of 1938 eliminated gross variations in wages paid by competing operators. But the Traffic Commissioners have no power to restrict the activities of "C" licence holders, running huge lorries over hundreds of miles of the public roads. The law allows traders to put any number of vehicles on to the highways, merely by filling in a printed form re-

turnable to the Traffic Commissioners' Office. Any restriction upon "C" licences will necessarily be unpopular, but legislators will have to face the idea that the number of monster vehicles, carrying heavy loads over long distances, should be curtailed rather than increased.

ROAD AND RAIL RATES

In trade and commerce most problems reach back to some matter of finance, and the worst consequences of unfair road competition only disclose themselves when railway freight rates come up for consideration. Under the system of charging by classification, high-class commodities bear more than their fair proportion of overhead expenses, whilst low-class commodities bear less than their fair proportion. Where the "C" licence holders hit the railways hardest is in themselves handling the high-class and most remunerative traffic, while they hand over the low-class and least remunerative traffic to the railways in their capacity as common carriers. The use of the railways for peak traffic and broken loads are other methods whereby "C" licence holders can render any system of published rates nugatory. Serious traffic problems arise from the trader who keeps just enough vans or lorries to deal with his minimum business, but calls in the railway or public carrier to deal with any spasmodic surplus.

To the present the standard freight charges on British railways have been based upon a combination of distance and *the ability of each class of goods*

to bear the ordained charges. The actual cost of the carriage of the goods has never been a prime factor in determining freightage rates. A ton of silk stockings weighs as much as a ton of coal, though doubtless it occupies a somewhat larger cubic space when packing is taken into account. The same is true of sweetmeats or champagne. In the nineteenth century all the Railway Acts of Parliament in their schedules of classifications and authorized charges were based on the principle that luxury goods of comparatively high value should pay higher rates to make possible lower rates for coal, iron ore and similar commodities. In fact, the principle followed on from the very earliest Canal Acts. It was recognized that the higher rates per ton paid by the luxury wares made possible the lower rates paid by the coal dealers and the iron masters. From the national standpoint, nothing could be more proper. The backbone of British trade was coal, iron and steel and shipping. It was not sweetmeats, stockings and champagne.

The system functioned well enough for a time, but it began to work very badly when energetic road hauliers, anxious for freight, established themselves in British transport. Unable to handle the heavy goods, the road hauliers naturally undercut the railways in respect of champagne, sweetmeats and silk stockings. In other words, they struck at a vital point—the traffic which really remunerated the main-line railways. They were able to do this successfully because they were not burdened with the

huge capital costs which the railways necessarily carried. The matter is not without complexity, and calls for careful consideration from all who would think clearly and usefully upon railway and road transport in its relation to the public. Railway rates are governed at present by a classification which divides goods traffic into twenty-one classes. Of these, the first six relate to heavy and bulky minerals, for which exceptionally low rates per ton are charged. Classes 7 and upwards are concerned with more valuable merchandise, which pays a higher tonnage rate, and these are the classes which have proved so vulnerable to road competition, whether from hauliers or holders of "C" licences. Lord Stamp has told us that during 1937 railway receipts from all classes of traffic averaged 6s. 3¼d. a ton, whereas receipts from the lighter, higher-priced traffic averaged 17s. 0¾d. a ton. Consider what it must have meant to the four main lines to find the 17s. traffic passing to its competitors, leaving the railways with the uncomfortable duty of carrying the relatively unremunerative traffic. Whereas the average railway receipt per ton mile for heavy merchandise and coal was about 1d., the average for the higher-value merchandise was nearly 2d. In the vulnerable classes (No. 7 and upwards) the average receipt per ton mile fell by 14 per cent. between 1929 and 1937, from 2·26gd. to 1·948d., while freight traffic as a whole declined in the average only 9 per cent.—that is, from 1·438d. to 1·308d.

In view of this competition, any attempt to levy

statutory rates necessarily led to the transfer of the goods to the road hauliers or holders of "C" licences. Accordingly, the railways made extensive use of their power to grant exceptional rates, involving reductions up to 40 per cent. of the standard rates. Quickly the lowest rate granted for the conveyance of a given type of goods became the general level. An indication of the manner in which railway rates have been reduced owing to road competition is afforded by this summary of typical rates operating between Birmingham and Liverpool.

| Traffic. | Standard Rate per Ton. | | Exceptional Rate. | | Reduction Per Cent. |
|---|---------------------------|----|----------------------|----|------------------------|
| | s. | d. | s. | d. | |
| Class 6. Sulphur | 13 | 6 | 11 | 2 | 17 |
| „ 7. Fuel and gas oil ... | 17 | 0 | 12 | 1 | 29 |
| „ 8. Grain and oil cake ... | 18 | 2 | 11 | 7 | 45 |
| „ 9. Lead scrap | 20 | 4 | 15 | 6 | 32 |
| „ 10. Charcoal animal bone black | 22 | 1 | 14 | 4 | 40 |
| „ 11. Sugar | 28 | 7 | 13 | 2 | 53 |
| „ 12. Machinery | 30 | 7 | 17 | 4 | 44 |
| „ 13. Nickel copper alloy ... | 32 | 4 | 19 | 5 | 40 |
| „ 14. Fruit and vege- tables | 35 | 4 | 18 | 5 | 49 |
| „ 15. Hemp and tow | 37 | 10 | 15 | 9 | 60 |
| „ 16. Vices, iron and steel | 38 | 10 | 22 | 5 | 43 |
| „ 17. Machettes | 43 | 5 | 17 | 10 | 59 |
| „ 18. Motor cycles, bicycles and ac- cessories | 45 | 2 | 19 | 5 | 57 |

Once fixed, the exceptional rates have statutory force, and can be increased or withdrawn only after giving forty days' public notice. This in itself constitutes a handicap to the railways. Moreover, if any trader cares to raise an objection, the matter must

be settled by the Rates Tribunal at considerable cost.

It will be plain that established rates, coupled with full publicity, virtually deprive a railway official of all bargaining power. His customer is already aware of the charge, for it has been fixed and published by the Rates Tribunal. Yet each and every rate covering the conveyance of merchandise by road can be modified to meet an individual bargain. There could be only one consequence. The road hauliers are in a position to take the cream of the light traffic, leaving the railways to deal with the skim milk below. Our argument must not be interpreted as proposing any interference with services which road hauliers and holders of "C" licences properly render to the public. Local deliveries clearly come within the sphere of road vehicles. It is only when goods are carried over long distances that manifestly unfair competition arises. At present, traders are seeking to make the best of two worlds. They are using the railways when the rates in the lower grades of traffic are on a classified basis and seem favourable, but using road transport or their own vehicles at other times. What the railways now demand is the right to deal with "pickers and choosers"; for example, firms which send their goods by road and then requisition the railways, as common carriers, to take back their *returned empties* as low-grade merchandise. It is a grotesque perversion of economic justice to plead that the trader should have full freedom, unless the railways are given equal

freedom to charge what they judge fair for traffic which their competitors reject.

The duty of common carrier, as it affects railway companies, is not always properly appreciated. The Carriers Act dates from 1830, and from it has arisen the obligation laid upon anyone who assumes the office of common carrier—to carry anything for anybody who may demand and pay for the service proffered. Thus a road haulier, equally with a railway company, may undertake to become a common carrier. But whereas the road haulier necessarily assumes very few liabilities, since his range of possible services is strictly limited, in the course of a century the railway companies have assumed the obligation of common carrier for practically every commodity in British industry. Moreover, by special statutes, the railways are required to afford all reasonable facilities for the receiving, forwarding and delivering of traffic, and may also be required by the Railway and Canal Commission to meet the interests of public travel and trade in any particular locality. No such obligations rest upon road hauliers.

The measure of freedom which the main-line railways are demanding from Parliament will not affect their position as common carriers. They will still be ready to carry any traffic offered, but they will be free to charge rates suitable for the service required. The concrete demands of the four main-line companies are:

1. The existing statutory regulation of the charges for the conveyance of merchandise traffic by railway,

together with the requirements attached thereto, including such matters as classification, publication and undue preference, should be repealed.

2. The railways, exactly like other forms of transport, should be permitted to decide the charges and conditions for the conveyance of merchandise which they are required to carry.

It will manifestly be useless to impose the obligation of common carrier upon road hauliers, if these are permitted to charge any rates they please, while the railways are forced to carry goods at rates fixed by the Tribunal. Nevertheless, it is possible that an approach to fair trading might be made by a system of agreed rates between railways and road hauliers, which would stop rate-cutting. In 1933 Parliament authorized the creation of a Transport Advisory Council, charged with the duty of advising the Minister of Transport, the twenty-nine members being under the chairmanship of Sir Arthur Griffith-Boscawen. Apart from leading railwaymen, representatives of road hauliers, canals, coastwise shipping, docks, cyclists, pedestrians and local authorities were included in the Council, and the special interests of Labour were not forgotten. No more representative body for finding an agreed rates system could be devised.

In 1935 a Committee of the Council was set up to investigate "Service and Rates," and a unanimous Report was submitted to the Minister of Transport in July, 1937. This recommended certain steps towards the creation of a system of rates for the road

haulage industry, but no steps were taken by Parliament to implement the Report, so the railways were forced to launch their "square deal" campaign.

Curiously enough, precisely the same right to fix rates without veto by the Interstate Commerce Commission is one of the reforms which President Roosevelt's Railroad Committee is recommending in connection with the rescue of United States railways from disaster. The decision is the more significant because three railway Labour leaders are associated with three railway presidents on the United States Committee. Capital and Labour alike prefer honest rate adjustments to further Government interference, so Congress will be asked to legislate on lines which will leave the railway companies free to fix freight rates to fit consumer demands.

It is greatly to be hoped that the demand for a "square deal" in Britain will not degenerate into a dog-fight between railway and road interests. There is no basic divergence between the two parties, as there is manifestly traffic enough for both. The difficulty in reaching an amicable decision lies in the immense number of separate units engaged in road transport. What stands out plain to view is that the existing rates classification which legislation has forced upon the railways is utterly unsuitable as a basis upon which road and rail interests can co-operate. The first stage towards an agreed settlement is the removal of the statutory obligations which fetter one party to a much-needed bargain. Sir Ralph Wedgwood and Sir William Wood, speak-

ing on behalf of those who are directing the Square Deal campaign, have again and again stated that the railways are only too anxious to sit round a table with responsible hauliers and evolve a rates structure satisfactory alike to road and rail interests. But, first, Part III. of the Railways Act of 1921 must be repealed, together with certain other legislation regulating railway freights. The larger units among the road hauliers see this and would welcome an agreed solution, but there are less responsible elements among the hauliers, and they have thriven upon a relaxation of control which amounts to an abuse of proper freedom.

PART II

WHAT BRITISH RAILWAYS DO FOR
PASSENGERS

TO the present the four main-line railways in Britain have failed to conquer the harsh circumstances following upon the loss of their old-time monopoly. That must be admitted, and the dividends recently paid to junior stockholders witness to the fact. Nevertheless, it would be inaccurate and unjust to draw the conclusion that the British railway system is effete and doomed to an early demise.

The era of prosperity envisaged when the Geddes amalgamation was planned in 1920 did not materialize, though a big step in that direction was made when £61,000,000 was cut from working expenses in the first two years of the amalgamation, most of the saving, of course, being due to the decline from the high costs of the war period. In the following ten years yet another cut in expenses totalled £49,000,000. In the same ten years the four companies spent £200,000,000 in major reconstructions and extensions, all of which called for regular interest payments, and they did this in the face of the shocking losses consequent upon the strike of 1926, a decline in foreign trade which hit the rail-

ways hard, and a continuous loss of profitable freight to road competitors. Even coal was no longer entirely rail-borne, as collieries began to sell at the pit-head to small dealers with lorries, who distributed over an ever-widening area. Lastly, the railways found that they were expected to keep fares and freight rates down to minima in times of bad trade and yet refrain from recouping their depleted exchequers when a period of favourable trade comes. Owing to this public expectation, when, in 1937, the railways added 5 per cent. to fares and freight rates, the increase synchronized with a lapse of trading activity, though the veriest novice in business method knows that the proper time to put up prices or charges is when trade is beginning to boom and not when the boom is ending.

In view of these disabilities, the wonder is that the facilities and amenities offered to the public by the four main lines in Britain are so generous. Again and again one hears the question, "Why don't the railways do this or do that?" In most cases the only answer is, "They do." Doubtless, business houses with large interests are fully informed about certain aspects of railway work, but the general public requires education in the numberless facilities which have been made available since the railways were handed back to private ownership under the Railway Amalgamation Act of 1921. We will pass some of them in rapid review, beginning with those that benefit the travelling public.

In a railway journey nothing is more fundamental

than "taking a ticket." The first impulse of a traveller is to decide whether he requires a "single" or a "return," a "first" or a "third." His second impulse is to accept in exchange for the money demanded whatever ticket the man behind the grille chooses to allow. This was the pre-war attitude. Today it is not only an unsatisfactory, but an expensive process. Very small enquiry shows that British railway companies offer a great variety of tickets—probably too many. One or another of these tickets may well save any individual traveller a lot of money, and as 700 million are printed annually by the four railway companies, the amount, in the aggregate, must be large.

The basis of the ordinary fare on a British railway is $1\frac{1}{2}$ d. a mile third class and $2\frac{1}{2}$ d. a mile first class, but the percentage of passengers carried at standard fares on all the railways fell from 50.14 in 1928 to 15.1 in 1936. Out of the 1,215 million journeys taken in 1937, 534 million were on monthly return tickets, excursion, week-end or other tickets issued at specially reduced fares.

CHEAP TRAVEL

The first of these cheap fares—workmen's tickets—came into being in 1883, as an outcome of the Cheap Trains Act. This abolished a revenue duty upon passenger fares not exceeding a penny a mile. In return, Parliament required the railways to run cheap trains for workers. As it is virtually impossible to define the term "workmen," the cheap fares are

now applicable to all who travel to work early in the morning—that is, before the “peak” is reached between 8.30 and 10 a.m. By encouraging early morning journeys, workmen’s tickets spread the “peak” rush in the morning and evening. Critics of railway management are often forgetful of the fact that 50 per cent. of urban traffic is crowded into two hours in the morning and two hours in the evening. In an extreme case, at Morden, a dormitory area in the London suburbs, 43 per cent. of the total day’s bookings are effected before 7.30 in the morning at workmen’s rates. Return workmen’s tickets cost 2d. for the first mile, but a declining scale brings the cost to a farthing a mile after the twentieth mile. In 1937, 227 million of these tickets were issued.

The outstanding change from the standard ticket, however, was not the workmen’s ticket, but the “penny a mile” monthly return, first issued in May, 1933. This has proved so popular that it is scarcely an exaggeration to say that it has revolutionized passenger fares. The vision of those who made the original proposal was equalled by the courage of the administrators who carried the change through. For a while the apparent loss of revenue on the $1\frac{1}{2}$ d. per mile fares was troubling, but within a year the commercial rightness of the change was becoming plain.

Sunday travel is another form of railway enterprise which is slowly revolutionizing not only British transport but social custom. A few years ago

"Sunday travel" was synonymous with a slow and uncomfortable journey. The anticipated discomfort was a legacy from Victorian times. Indeed, in the early days it was gravely debated whether Sunday railway travel should be allowed at all. About 1840, when cheap trips were first run on August Sundays from such centres as Leeds and Hull, the local clergy were so scandalized that one Yorkshire cleric accused the offending railway company of carrying the trippers "swiftly and safely to hell." Similarly, when the Rev. W. Burns, of Kilsyth, read of a Sunday excursion from Newcastle to Carlisle, he placarded his parish thus:

A Reward for Sabbath Breaking.

People Taken Safely and Swiftly to Hell

Next Lord's Day by the Carlisle Railway for 7s. 6d.

IT IS A PLEASURE TRIP!

About the same time there was a fatal railway accident in the North Country. The verdict of the jury included a declaration: "The jurymen think it consistent in connection with this awful event to state their deep regret that the directors of the Leeds and Selby Railway and the Hull and Selby Railway should by their conduct sanction the violation of the Sabbath."

By 1939 the changes of a century have brought it about that facilities for Sunday travel compare very favourably with those on weekdays, while the half-day Sunday excursion trains have become part of a

regular service, catering for ordinary passengers as well as those travelling under excursion conditions. Sunday cheap day return tickets were issued between any pair of stations, the charge being the ordinary third-class single fare for the double journey. The only stipulation was a minimum payment of 2s. 6d. third class. A feature of Sunday travel in 1938 was the introduction of a non-stopping train between London and Edinburgh—that is, a seven-hour service between the two capitals. The L.N.E.R. Sunday Scotsman leaves King's Cross at 11 a.m. Another interesting Sunday innovation was a restaurant-car express between Yarmouth and Manchester, which included through coaches linking up Liverpool and Southport with Yarmouth and Lowestoft.

Night travel is yet another form of bargain travel. The distance between London and Glasgow and back is 802 miles, yet the L.M.S. will carry a passenger for 27s. 9d., representing a reduction of 73·7 per cent. on the ordinary fare. In 1938 a traveller could leave Euston at 12.50 midnight on a Friday night, spend the day in Scotland, stay at the Glasgow Exhibition, and return by a train leaving at 12.25 on Saturday night. The charge for this trip was no more than 0·42d. a mile, while for 7s. 6d. extra a traveller could occupy a comfortable sleeping berth. A similar excursion to Dublin cost 22s. 6d. third class, leaving Euston at 8.45 on a Saturday night and reaching Dublin at 6.45 a.m. Passengers holding this ticket left Dublin at 8.10 p.m. and were back

in London at 5.30 a.m. on the Monday morning. Could any firm of road operators offer such a bargain to travellers? The certain answer is in the negative.

A volume could be written setting out the varieties and advantages of specialized railway tickets. Every parent is aware that children under three years of age may travel free when accompanied by a fare-paying passenger, and that boys and girls under 14 are carried at half-rate. But all do not know that half-rate season tickets are issued to school children under 16 years of age and to young people from 16 to 19 years of age, if they are not receiving a wage exceeding 18s. a week. These season tickets serve medical students and boys and girls at polytechnics or business colleges. Season tickets are also issued to meet the requirements of scholars who travel intermittently and require that lengthy holidays should be taken into consideration.

Again, there are traders' season tickets, which can be secured by any firm which has consigned or received goods traffic upon which the carriage charges amount to at least £300 in twelve months. Not only does such a ticket allow of unlimited travel between the stations specified, but, if it is taken out for a year, the holder may deposit it with the company twelve times during its currency. During these periods an interim season ticket is issued, for the use of another accredited representative of the firm. Sick leave and holiday periods are thus allowed for in the trader's season tickets. The cost

of these tickets is 25 per cent. below the ordinary season-ticket rates. Apart from the immediate saving, the system assists firms to estimate travelling expenses with accuracy and know in advance what this item of general expenditure will amount to in a given year. Buyers, commercial travellers, directors, sales managers and others can use the facility for keeping in contact with customers.

If a business firm cannot usefully use traders' season tickets, or desires to supplement those already in use, the four companies offer an alternative—bulk travel vouchers. These allow business firms to obtain tickets for their travellers, sales managers and buyers at reduced rates. A firm doing business with a railway company to the extent of £300 a year is supplied with books of vouchers for the use of the firm or employees, the only condition being that users travel strictly on business of the firm. A deposit of £80 in respect of first-class tickets or £50 in respect of third-class tickets must be made, and is drawn upon until the amount is exhausted by the tickets used.

Three hundred and seventy million journeys were made on season tickets of various types in 1937. Economically, cheap season tickets are justified, because the holder would otherwise be tempted to use omnibuses or tramways and thus further complicate the problem of providing sufficient accommodation at the "peak" hours, when workers are going to or coming from places of business. It is also worthy of notice that there is still a large demand

for first-class tickets. The number issued exceeds ten million in a year, and represents close upon 10 per cent. of the total ordinary passenger receipts.

EXCURSION TICKETS

Excursion tickets were first introduced in 1841, and an early example was associated with two "specials," run to Derby for a triple execution, that of the three men who murdered Martha Goddard, of Stanley. Forty thousand people witnessed this execution. The Derby excursions furnished an unhappy beginning to a facility which slowly extended during forty years, until the habit of summer holidays and week-end outings established itself.

In the early days excursion trains were purposely slowed down, lest they should compete with services at regular rates. This was a time when railway officials sprinkled soot on the floor of third-class carriages, hoping to discourage their use by passengers who could well afford first class. The Big Four in British railways have progressed far in ninety years.

The growth of cheap and comfortable excursion trains closely followed the growth of the holiday habit in Britain, and may well have been an active cause. A century ago Sunday was the only off-duty day, and Saturday's work did not end until 6 p.m., the customary time on weekdays. In 1843 Manchester warehouses came to an agreement to close at 4 p.m. every Saturday, and the extension of the policy, coupled with the prospect of being free from work on the following day, eventually led to a half-

day holiday on Saturday being generally accepted as fitting and proper. As for the summer holiday habit, it is not too much to say that the railways made it possible. At first the middle classes in great industrial centres were the patrons of Blackpool, Filey, Whitley, Morecambe, Bridlington and Scarborough, with their piers and assembly rooms. In the middle of the nineteenth century a fortnight in August constituted the customary middle-class holiday. It is now a month or six weeks. The cheap August Sunday excursions of the 'forties first familiarized the British working man and his family with the seaside, and the seaside holiday habit developed under a twofold impetus provided by the North-Country habit of Wakes Week and Sir John Lubbock's Bank Holiday Act of 1871. As early as 1830 the "Bathers' Companion" announced that "People of the working population can find accommodation in the homes of the villagers" adjoining Blackpool and similar Lancashire and Yorkshire resorts, but railway enterprise fostered and developed the habit. A climax was reached in 1938, when holidays with pay became an accepted fact in progressive social legislation.

Today the facilities offered for cheap and comfortable excursion tickets are multitudinous. Thus the companies offer circular tour tickets available for three months and permitting a break of journey at any station on the route, week-end tickets available by any train between Friday and Monday or Tuesday between any two stations, and cheap day return

tickets on market day. The third-class marketing tickets are issued at single fare for the return journey—that is, $\frac{3}{4}$ d. a mile.

Even cheaper excursions are available for sports meetings. A race for the Grand National at Aintree may mean 52 trainloads of passengers on the London Midland alone. One cannot visualize road transporters dealing with such a volume of traffic. The football season calls for similar efforts by the main-line railways. During 1937-38 the Great Western alone ran more than 1,000 specials to League and other football matches. "Follow-the-Club" facilities often reduced the fares to football enthusiasts to no more than a penny for three miles of railway journeying, and women profit equally with men. This used not to be the case. It is on record that, so late as 1887, a solemn conference of railway managers decided no such benefits could be accorded to members of women's football clubs. It required the Suffragette Movement to break the stubborn wills of the managers. Sports clubs are offered tickets at cut prices for the use of members travelling to and from the club grounds, if a minimum of 200 tickets are taken during a year, each "juvenile" ticket being counted as one. These tickets are issued in bulk to club secretaries, who distribute them. The third-class rate is based upon single fare for the double journey—that is, about $\frac{3}{4}$ d. a mile—boys and girls under 16 being charged half-price.

As a matter of railway economics, cheap excursion fares justify themselves because they come into

operation after the heavy going-to-business traffic is disposed of. Frequently "peak period" trains can be used.

In view of the great variety of special fares and the many millions of travellers who take advantage of them annually, it is not easy to take seriously many of the complaints lodged against British railways. No organization employing 600,000 people and catering for a thousand million journeys annually can expect to escape occasional criticism. A generous judgment, however, should admit that if the four main-line companies cannot command full success, they are doing very much to deserve it, and this under difficult circumstances.

HOLIDAYS WITH PAY

Another aspect of the difficult problem of "peak" traffic associates itself with the Holidays with Pay movement. At the end of 1938 paid holidays had become compulsory by law for practically every kind of worker in no fewer than 24 countries, and for large sections of the workers in 17 other countries. In Britain the Holidays with Pay Bill of 1938 empowered trade boards and agricultural wages committees to fix holidays and payments for holidays, as they now fix minimum wages. The bill also made it possible for Ministry of Labour machinery to be used in the administration of paid-holiday schemes. Two restrictions, however, were imposed. The trade boards may not arrange for paid holidays to last more than seven days, and the length of the holiday

day traffic. The companies suggest extending the holiday season from May to the end of September, and Chambers of Commerce and other trade associations have promised their aid in bringing about such a voluntary "staggering" of holidays. One hundred and eight cotton towns in Lancashire and Yorkshire have long come to an agreed scheme for staggering their summer holidays, so ordered holidays are not impracticable.

Out of the 105 towns in England with a population exceeding 50,000, no fewer than ten are health resorts catering for the holiday traffic. The well-being of these towns depends almost entirely upon cheap railway facilities. Brighton and Scarborough are examples of ancient ports which have been converted into tourist resorts, but Blackpool, Bournemouth and Southend are examples of great communities which have arisen on virgin sites to meet holiday demands. In 1860 the population of Bournemouth was less than 2,000; it is now 120,000. Apart altogether from the relief extended to railway management, a "staggered" holiday season would greatly benefit these health resorts. Hotel and boarding-house keepers could offer better terms if they were not forced to make all their profit in a few weeks. Already Blackpool and similar resorts have promised that those who take early or late holidays shall not suffer.

Akin to the problem of "staggering" holidays is that of "staggering" working hours. The twice daily rush to and from work in the larger centres of

population creates problems which the railways and other transport agencies cannot solve without assistance from the public. Much inconvenience would be saved if a proportion of the men and women in large concerns arrived at work half an hour earlier than the rest and left half an hour earlier. The midday rush to canteens would be mitigated by a change which the railways would also welcome.

The Birmingham Chamber of Commerce recently appointed a committee to investigate this "staggering" of hours of workpeople and marshalled a valuable body of fact relative to the difficulties forced upon transport organizations by the 8 a.m. starting time for industry in the Midlands (*Modern Transport*, December 17, 1938). It was shown that the percentage of road vehicles standing idle during the day is no less than 73.4 per cent., so the main-line railways are not alone in demanding changes which will obviate such wastage. In the Midlands eight hours' pay is often given for four or five hours' actual work. The alternative to some "staggering" of working hours can only be higher fares on rail *and* road. The proposed remedy is for one group of trades to commence work at 7 a.m., another at 7.30, a third at 8 a.m., and a fourth at 8.30. This would also level out a similar trouble due to the evening traffic peak.

AMENITIES FOR PASSENGERS

As for the amenities available to passengers, what more can the public ask or expect, at any rate on the

main lines of the four companies? Admittedly, cross-journeys in Britain are often tedious and uncomfortable. Here the remedy is probably road-rail cars of the French pattern rather than an attempt to extend amenities, which can only be justified economically on speedy main-line trains. Air-conditioning, radio facilities, hair-dressing saloons and shower-baths on the sleeping cars are recent additions to the amenities of travel, and they supplement the comfortable upholstery and well-sprung seats which are now recognized as essentials in long-distance railway travel.

Until well on in the fifties of the last century, third-class carriages were open to wind and weather, this being a relic from days when British railways were intended primarily for the transport of minerals in the wagons of the mining companies or manufacturers, and passengers merely purchased the right to place their own carriages on a truck during a railway journey. In those days third-class travel was not regarded as a source of revenue, but rather as a trespass upon the efforts of the companies to secure first-class tickets from all who could afford them. One board of directors lodged a solemn protest against "several very respectably dressed persons seen riding in the Stanhope (or third-class) compartments, which are expressly provided for those unable to afford a higher fare." One of the devices adopted for countering this illicit third-class journeying was the boring of holes in the carriage sides at the height of a passenger's ankles, thus ensuring a properly uncomfortable draught. At other times carriage windows were

boarded up in order to exclude the view. Third-class passengers today are pampered creatures by comparison with their ancestors in the hungry forties.

A step towards modern conditions was made in 1874, when five Pullman cars were placed upon the London and Bradford service by the then London and Midland Railway. They were the pioneer corridor and buffet cars. Previously, the London-Scottish trains used to pull up for half an hour at Leeds in order to allow passengers to snatch a meal. By 1882 dinners were served on certain long-distance trains, and by 1891 meals were available to third-class travellers. The first vestibule car train was an afternoon express which plied between King's Cross and Edinburgh in 1893. Today, not only all long-distance trains, but many day and half-day excursion trains, include a restaurant or buffet car. Buffet cars, for the quick service of light and cheap meals, were introduced on secondary passenger trains in 1933. "No Meal under 3s. 6d." is not a desirable railway slogan, so the extension of the buffet system is to be welcomed. Another reform of happy augury has been the service of "short" luncheons and "short" dinners at 2s. 6d. and 3s. 6d. respectively. A party can reserve a saloon carriage or restaurant car for its exclusive use, provided an agreed number of meals is ordered.

The substitution of electricity for coal and oil in cooking and lighting has added to the amenities of railway travel. As for heating, until the opening of the twentieth century such warmth as the carriages

had in the winter months came from metal foot-warmers, filled with crystallized acetate of soda. By using the chemical, the foot-warmer (if not completely cold) could have its heat restored merely by shaking the metal receptacle. Today railway carriages are heated by steam, supplied from the locomotive and conveyed through pipes which run the length of the train. The pipes run under the seats, and the precise warmth can be controlled by the travellers. The general application of a closed system of air-conditioning is an improvement which must be reserved for more prosperous times. At present the weight and cost prevent its general adoption in Britain. Indirect lighting and shoulder lamps for reading are, however, being introduced.

EXPRESS TRAVEL

Passing to high-speed travel, the British companies are continually increasing the number and speed of their long-distance expresses. During 1938 the Royal Scot, working between London and Glasgow, was accelerated by no less than 45 minutes. Leaving Euston at 10 a.m. daily, the train now reaches Glasgow at 5 p.m. and Edinburgh at 5.5 p.m. In the reverse direction the Royal Scot leaves Glasgow and Edinburgh at 10 a.m. and reaches Euston at 5 p.m. and 5.15 p.m. respectively. Every effort is made to make the times of departure and arrival of these expresses convenient for busy business men. It is possible to leave London at 4 p.m. and be in Glasgow before midnight, thus permitting practically a full

day's work in London, followed by an absolutely clear day in Glasgow. Where possible, important trading centres on the Scottish routes are also considered. The L.N.E.R. Coronation stops at Newcastle. Served both by the Coronation and the Silver Jubilee, Newcastle now has two services making the 268-mile journey to and from London within four hours.

The winter schedule of the four main-line companies in 1937-38 included a hundred passenger trains daily travelling at average speeds of 60 miles an hour or over. Four of these trains have an average speed of over 70 miles an hour. The first of these expresses, the Silver Jubilee, has already been on the metalled roads for two full years, during which it made 988 single journeys, covering 263,000 miles and carrying 135,000 passengers. The West Riding Limited connects Bradford and London by an express train service. Here are the details of some outstanding high-speed scheduled runs on British lines:

| <i>Great Western.</i> | <i>Miles.</i> | <i>Minutes.</i> | <i>M.P.H.</i> |
|--------------------------------|---------------|-----------------|---------------|
| Paddington to Swindon ... | 77 | 65 | 71·4 |
| Paddington to Bristol ... | 118 | 105 | 67 |
| <i>London, Midland.</i> | | | |
| Willesden to Crewe ... | 152 | 142 | 64·5 |
| <i>L.N.E.R.</i> | | | |
| King's Cross to Darlington ... | 232 | 198 | 70·4 |
| King's Cross to York ... | 188 | 157 | 71·9 |

These journeys at express speeds and under luxury conditions offer good advertising opportunities to the railways and, in reason, they are well worth

while. Nevertheless, it is not certain that they are dividend-earners. The numerous amenities added to the L.N.E.R. Flying Scotsman, for example, has entailed a marked increase in haulage weight. The 42-seater third-class coaches previously weighed 32 tons. The new one weighs $37\frac{1}{4}$ tons. Similarly, the triplet restaurant car, which used to be 85 tons, is now $92\frac{3}{4}$ tons. It is estimated that the amenities added in 1938 added 25 per cent. to the haulage weight of the train. The Coronation and the Coronation Scot trains consist of eight or nine car sets, with seating accommodation for 210 or 232 passengers, and, with the locomotive, they weigh from 445 to 479 tons—that is, nearly 2 tons or more per seat. The Flying Scotsman weighs 600 tons, and the weight per seat is no less than 2.41 tons.

The latest amenity in travel between Britain and the Continent is the train ferry, operating between Dover and Dunkerque. A passenger enters his compartment at Victoria, and without any extra walking along Customs sheds and dreary dockyards finds himself on board the train ferry and comfortably on the way to Paris. Twelve luxury sleeping cars are attached to the train ferry service, so uninterrupted sleep is also possible. Customs, passports and ticket examinations are timed just before the train reaches Paris at 8 a.m. A full day in Paris follows, and, if desired, a busy man can return to London by a similar sleeping car that same night.

The train ferry is particularly attractive to motorists. Above the train deck is a garage into

which cars can be driven by their owners. Here they are left just as they are, without any petrol being taken out, and can be driven away again as soon as Dunkerque is reached. At least twenty-five cars of ordinary size can be garaged, and at the after end of the train deck there is space for heavy lorries and coaches. The three train-ferry steamers are the "Twickenham Ferry," the "Hampton Ferry" and the "Shepperton Ferry." Each is capable of $16\frac{1}{2}$ knots.

The Dover train ferry entailed the solution of some nice engineering problems. The variation in water level due to tidal action was one. Trains which have to be transferred to shipboard and then again to the shore are unwieldy entities. Ultimately an enclosed dock was built at Dover, the entrance to which could be opened or closed at will, in order to berth the ferry vessels. Powerful pumps regulate the water level inside this dock, which has an internal length of 141 feet. The three ferries are 359 feet long and have a beam of 64 feet. The train deck contains four railway tracks, capable of holding twelve coaches or forty wagons. Generally the two centre tracks are used for the sleeping-car coaches and the outer tracks for freight wagons. One thousand five hundred goods wagons have been built for the train-ferry service, so goods can be sent direct from any part of Britain to France, Germany, Hungary and the Balkan States. A differing gauge makes direct shipment to Russia and Spain impossible. From time of loading in the wagon to the moment of

arrival at the continental destination there is no handling, so risk of damage becomes negligible.

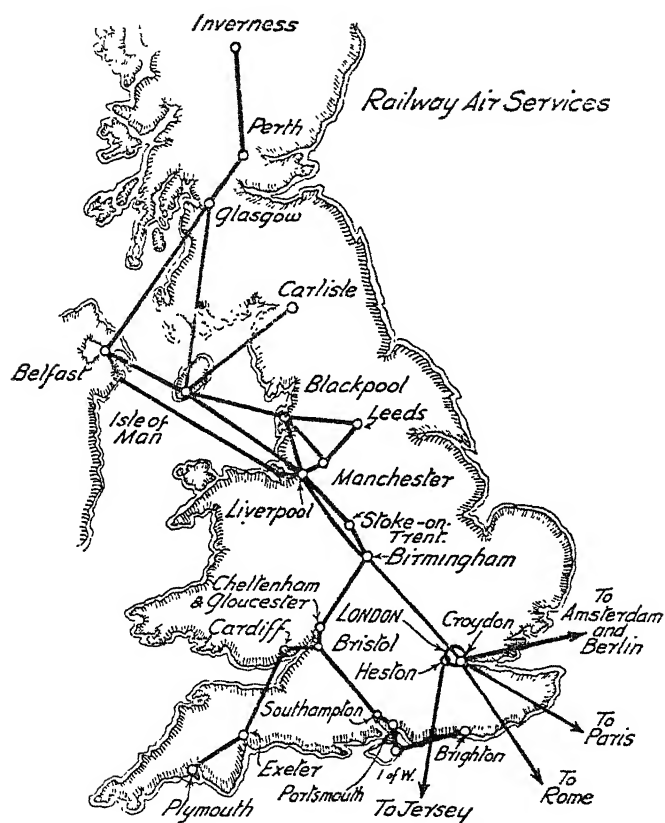
Having been so badly "caught" by road competition, the main-line railways in Britain determined to be early in the air when aeroplane travel threatened to cut into their express long-distance passenger traffic. To the present the investments of the railways in aviation services have not earned full interest, but the decision to take a financial interest in the new form of transport was certainly a wise one.

In 1929 the four railway companies obtained Parliamentary powers enabling them to operate air services, and by 1938 all the British railway lines were linked up with air services, and air bookings could be effected at any railway station or agency. Our map shows the extent of the service.

Here is a typical schedule between London and Liverpool and Belfast and Glasgow:

| NORTH-BOUND. | | | | | |
|------------------|-----|-----|-----|------|-------------|
| | | | | | <i>a.m.</i> |
| London (Croydon) | ... | ... | ... | dep. | 9.30 |
| Birmingham | ... | ... | ... | arr. | 10.20 |
| Liverpool | ... | ... | ... | arr. | 11.5 |
| Manchester | ... | ... | ... | arr. | 11.35 |
| Manchester | ... | ... | ... | dep. | 11.50 |
| Liverpool | ... | ... | ... | dep. | 11.30 |
| | | | | | <i>p.m.</i> |
| Belfast | ... | ... | ... | arr. | 12.45 |
| Glasgow | ... | ... | ... | arr. | 1.40 |

These air connections in Britain make amazing journeys possible. Passengers can now leave Rome, Cannes, Copenhagen or Berlin in the morning and have tea in Belfast the same day. Alternatively, they



RAILWAY AIR SERVICES IN 1938.

can leave Belfast at 9 a.m. and be in Paris by 2.45 p.m. and Geneva by 7.45 p.m.

Day excursions combining rail and air travel were introduced in 1937. Air-liners from the Midlands and the North now take excursionists to the South Coast for a blow, while Londoners can take train to Southampton, fly thence to Brighton via the Isle of Wight, and return to Victoria by the Southern Electric. There are also cheap mid-week fares on the Railway Air Services to the Isle of Man, available on Tuesdays, Wednesdays and Thursdays. Two other summer services inaugurated in 1938 linked the five ports of Liverpool, Cardiff, Bristol, Plymouth and Southampton, not only with the industrial areas, but with such holiday resorts as Brighton. One of the services operates between Manchester and Brighton and the other between Bristol and Plymouth.

It can never be easy to satisfy an exacting public, and one of the difficulties in managing utilities is to find a reasoned balance between the outworn and the ultra-new. What seems to be luxury in a given year becomes an accepted commonplace thirty months later. One object of this study is to recall how much British railways already do in the fulfilment of their duties as public utilities, but another is to sound a note of warning. It is unjust to holders of capital stock that luxury journeys and uneconomic freight rates should be furnished at their expense. In other words, railway users must pay for what they want. If, however, they decide that the railways do

not and cannot give them what they require at a fair price, then railways indeed are doomed. Our own belief is that not a little traffic at present lost to road transport would be regained if the public was fully aware of what the railways in fact already do. It is the case of the widow over again who was called upon to explain her good fortune in securing, not only a second, but a third husband.

"No, it's not the money, nor yet the good looks. It's the come 'ither in me eye," she said.

At times British railways, owing to the tradition of monopoly in which they were reared, forget the value of the "come 'ither in the eye."

As for the public, its attitude recalls a certain Aberdonian, who purchased a ticket and received 7s. 9d. change for his ten-shilling note.

"Here, mon," he cried, "it's no enough."

"You count it again," replied the booking clerk.

The Aberdonian did and grumbled. "Aye; jist enough."

The relation between the public service rendered and the price to be paid for it will be found to recur again and again in this argument. May it not be that subtle psychological factors are operating in the post-war industrial world, and that they disclose what may prove to be an inherent disability in humanity to accept all the good things which invention and scientific management can offer? In other words, we may find that there is a limit even to obvious improvements in living conditions, if the attainment of the improvements involves more individual

struggle than the average man or woman desires to make. Such a factor would place a limit upon luxury, and therefore upon luxury production and distribution. In the present argument it may well place a limit upon the amenities of railway travel and the facilities which traders can rightly claim from the general transport system.

PART III

WHAT THE RAILWAYS DO FOR INDUSTRY

IF the facilities and amenities for passengers on the four main lines display enterprise and even generosity, what is to be said regarding the equally important services required by the trader and industrialist? In 1937, British railways carried 286 million tons of freight. In this department the profit test suggests that the companies were less fortunate in giving what the public were prepared to pay for, though very little enquiry makes it plain that recent declines in railway profits are not due primarily to backwardness in providing facilities which the existing state of the law makes possible.

Actually, railway traffic receipts have increased since pre-war times. Whereas they totalled £119,000,000 in 1913, they were £170,000,000 in 1937. This was an increase of rather more than 40 per cent., but, unhappily, the expenses of railway working increased by 80 per cent. in the same period, largely owing to the generous wage additions. The fall in passenger receipts was in the region of 25 per cent. before this drain upon profits was stopped, but the drain upon goods traffic continues and constitutes the outstanding obstacle to successful railway management.

The argument will not be stressed at the moment, but it is worth remembering that when the Railway Rates Tribunal was established by Parliament in 1922 it was not only charged with the duty of protecting traders against unfair traffic charges, but with earning a standard revenue for the stockholders of the four main lines. From the public standpoint, however, the more important consideration is the menace to railway efficiency and enterprise which must arise if the existing situation persists.

Among the factors which seem to justify road transport in competition with the railways must be reckoned easy packing and freedom from breakage when fragile goods are being carried from place to place. Here road hauliers undoubtedly have an advantage as door-to-door transit confines the handlings to two, loading and unloading, whereas the railway system may entail handling at every junction. Apart from greater care, the only remedy open to the railwaymen would seem to be the greater use of containers. On this subject of railway breakages it is worth while recalling that the number of separate consignments handed to vanmen or left at stations each year number about 200 million. In a year the railways pay damage claims on about 590,000 parcels—that is, on about a quarter of 1 per cent.

Remembering the necessity for numerous handlings, it is not certain that the figure a quarter of 1 per cent. justifies a general charge of inefficiency. Nevertheless, the extension of the container system,

with a view to fewer damage claims, is to be welcomed. The system was inaugurated between 1914 and 1918 when closed horse-drawn cars were loaded on to specially arranged platform rail trucks. In its present form, however, the system dates from 1926, when station cranes, yard gantries and mobile cranes were first introduced for the speedy moving of the containers to or from trucks and to or from road lorries. The road-rail container is, in effect, an immense packing-case into which goods are taken from the sender's premises and thence conveyed to the customer's door without any intermediate handling. Risk of damage is reduced to a minimum. packing is simplified and the cost and inconvenience entailed by the return of "empties" is avoided. Moreover, packing-cases, fibre boxes and other special receptacles are usually unnecessary when road-rail containers are used.

The *modus operandi* is as follows: Assuming the customer has a consignment of earthenware for conveyance, he makes his requirements known to the nearest railway goods agent. A suitable container is then placed on a motor lorry and brought to the customer's premises, where the goods may be loaded either by the customer's staff or, if preferred, by the railway staff. Upon completion of the packing the container is hauled back to the nearest station and craned direct on to the railway wagon for despatch by express freight train to destination, where, on arrival, it is delivered immediately to the customer's address. By locking or sealing the

covered containers the trader secures complete immunity from loss in transit, a feature which has commended itself to manufacturers of valuable commodities as artificial silk, boots and shoes, etc.

All of which shows that the open wagons, which are apt to associate themselves immediately with the thought of freight handling on British railways, are far removed from the actuality of 1939. At least a dozen different types of containers are available, some closed, some open, some insulated (for meat or fish) and others ventilated (for chilled meat or fish). The refrigerated containers include water-ice or a preparation of solid carbon dioxide (dry ice). This has a low temperature of 141 degrees of frost and is usually placed in specially fitted bunkers under the roof of the trucks.

In a good year about five million handle-baskets and wooden trays of strawberries are marketed by rail, special trains being arranged for the London market, so that there may be deliveries, not only in the early morning, but throughout the day. For the more distant markets, the railway companies use the insulated and "dry-ice" containers which make it certain that the fruit shall arrive at distant canning and jam factories with the least possible wastage. For the live fish trade, tanks are fitted to the railway wagons and the fresh fish is thus marketed hundreds of miles from the place of the "catch." Nor are the special requirements of individual trades neglected by the railways. Thus there are special hygienic glass-lined tanks for carrying milk in bulk. Bananas,

which require an even temperature, are carried in insulated and steam-heated vans, which are fitted with vacuum brakes for use on express freight trains, speedy marketing being often essential in this trade. British railways convey about 1,500,000 tons of frozen and chilled meat and about a million tons of home-killed. This is another industry in which preserving a proper temperature in the freight vans *en route* is as important as speedy delivery. Much home-killed meat is despatched in ventilated containers, equipped with bars and hooks on which short sides of beef and carcasses of mutton can be hung in freely circulating air.

British railways carry 4,700,000 tons of bricks in a single year, and for this work special brick wagons with capacities of 20 and 50 tons are available. Where containers are used they are conveyed by rail to the station nearest the building site and then put on to motor lorries. The containers carry a load up to $2\frac{1}{2}$ tons, and are light enough to be easily hoisted up to the upper floors of big buildings. An "all-in" quotation covers help by the railway staff in unloading and stacking the bricks.

Again, there is a bicycle container, designed to carry 76 cycles in two tiers of 38. The second tier is accommodated in two shelves, 24 inches in width, which are positioned longitudinally halfway up either side of the container. The floor and shelves are fitted with grooves protected with felt so as to secure the wheels and prevent friction in transit, whilst the frames of the cycles are held in position

by removable concaved battens, partly covered with felt, which slot into a frame on the inside of the container.

Any discussion of the need for continually increasing the use of the system must envisage improvements which will make the containers increasingly useful when on the road. In Germany, where out-size vehicles are common on the public roads, tractor-trailers capable of dealing with 20-ton rail wagons are in use. It is to be hoped road-users in Britain will be spared such monsters, but their existence must be noted. The German tractor may be a six-wheel lorry chassis with a hundred-horse-power engine, capable of hauling the fully loaded trailer at 10 miles an hour, but a sixteen-wheel trailer is also in use for carrying 20-ton railway trucks. The number of the wheels prevents jolting and consequent damage to the goods while on the roads. Goods transport by lorry undertaken by the Reichsbahn in 1937 was maintained partly by the State Railways' own fleet of 2,031 lorries and 1,207 trailers and partly by associated road enterprises. The system of transporting railway goods wagons on road trailers, which was initiated in 1933, is increasing rapidly. In the four years, 140,000 wagons were thus transported by roads.

In railway practice, anything which makes for large consignments is desirable. Today there is a growing tendency towards small freight consignments, due to the rapidity with which wholesale price levels change in these difficult times and the

necessity for reducing storage costs to a minimum. With view to counteracting this tendency, British railways recently introduced a system of bulk railway charges. A manufacturer or trader despatching several consignments on the same day can have them charged together, even if this involves collection from more than one address. The only difference is that separate collection charges are made, inasmuch as additional cartage costs are incurred in such circumstances. Nor is this all. Mixed consignments of merchandise, forwarded by one firm to the same station on the same day, may be charged on their actual weight, at the tonnage rates which would have been applicable if each class of merchandise had been forwarded in quantities equivalent to the total weight.

A system known as "*Agreed Charges*" has also been introduced into railway freightage. It enables traders to pay an agreed rate, calculated in bulk to represent all the firm's transport charges, instead of treating each invoice separately. The advantage of the "*agreed charges*" method lies in its simplicity and convenience to such traders as big stores or multiple shops, and the reduction in clerical work and account-keeping which it makes possible. The power to enter into such agreements was conferred upon the railways in 1933. All that is required after agreement between railway and trader is the assent of the Rates Tribunal. By 1938 600 such agreements were in being, two-thirds of them covering freight traffic and one-third carriage by passenger

train. All were on a tonnage, package or annual basis, the only exception being goods carried for Woolworth and Co., for which the railways receive 4 per cent. of the firm's annual turnover. The offer of an agreed charge is usually conditional upon the trader handing all his traffic to the railways, though clients may use such a carrier as Carter Paterson, which is a railway-owned road company.

It may be added that traders doing regular business with a railway company may, by agreement, be granted a month's credit if satisfactory references are furnished. Their account is rendered about the ninth of each month and payment is to be made before the close of that month. A simple cash-on-delivery system has also been established between all railway stations in England, Scotland, Wales, as well as in the Channel Islands and certain continental ports. By this system vendors are assured of cash collection upon delivery of goods, while customers can place their orders without payment in advance.

In general, the railway freight charges are based upon station-to-station rates, but delivery to a home, shop or factory is often included without extra charge. In the Birmingham area, for example, the Great Western makes no surcharge for the collection or delivery of parcels originating in or destined for an area of 45 square miles around Birmingham.

It is not generally known that the British railways constitute the biggest household removal organization in Great Britain. A railway company does not spring to mind when a change of home is in con-

templation. Nevertheless, just because of the size and extent of their furniture-storing and removing facilities, the four companies can offer exceptional terms and conditions. They send expert packers who place the furniture in special containers. Directly the furniture is in the doors are secured, the container is driven to the railway, where it is craned carefully on to a train and taken to the station nearest the new home. Here another lorry is waiting to carry the container to its destination. At no point on the journey is the furniture touched. The new home reached, the furniture is unpacked and placed in position to the owners' requirements. The companies will also lay carpets and linoleums, if required. As a special inducement the railways offer *family removal tickets*, whereby families who are moving their homes wholly by rail can travel at two-thirds single fare. This means that, when a company carries out a removal, it gives a reduction of 33 per cent. in the fares to the new home town for all members of the family and the staff.

The London and North-Eastern Railway recently "removed" an entire school (the Royal Hospital School) from Greenwich to Holbrook. Fifty special containers were requisitioned for the furniture alone, and other items were the equipment of a bakery, a carpenter's shop, a "smithy" and the fitments of the school gymnasium. The railway facilities even sufficed to move the School War Memorial and erect it on a new site at Holbrook.

Lastly, if it is advantageous to move home or

business or school by railway, it may be no less advantageous to use the four main lines when moving from farm to farm. Stock and farm implements, as well as household furniture, profit by the facilities available. For example, the companies have a large stock of sacks, which may be hired for the conveyance of wheat and other grains. Four container loads of furniture, twelve trucks of cattle, three vans of horses and twelve wagons of farm implements in 1937 were moved from Oxfordshire to Shropshire without any mishap. A running schedule enabled the cows to be milked in the morning, before leaving, and, in the afternoon, upon arrival at the new premises.

Among the recognized difficulties of transport is the handling of exceptional freight loads. A factory which is setting up a large piece of complicated machinery or installing a big boiler should enquire what facilities the railway companies can offer for transport and installation. The railways can not only draw upon a large staff of trained men but their equipment includes ball-bearing sliding platforms, portable turn-tables and jacks of all kinds, as well as ample timber or metal reinforcement for the protection of soft paths or flooring. Few road hauliers can offer comparable services. In view of the heavy demands for certain trucks, factories with special requirements must necessarily notify the companies of their requirements as early as possible. A trader cannot reasonably expect to obtain a ticket on demand for the carriage of a naval gun 62 feet long and weighing 108 tons, which is the sort of thing

railway officials have in mind when they speak of "exceptional freight loads." Here are some of the vehicles which British railways provide for the movement of "outsized" loads.

(a) "Crocodiles" or bogie well wagons up to 120 tons for heavy machinery, castings, excavators, girders, or for massive masonry.

(b) "Macaws" or bogie rail wagons, suitable for rails, structural steelwork or timber.

(c) Bogie trolley wagons for motor chassis, or traction engines.

(d) Glass wagons, suitable for plate glass, steel and copper sheets, etc.

(e) Insulated and steam-heated banana vans.

(f) Bogie covered wagons for motor bodies. Nine bodies can be side-loaded into each vehicle.

(g) Meat vans for chilled or frozen meat. Fitted with hooks, ice boxes and adjustable ventilators.

(h) Bulk grain wagons, which can be loaded through the roof, the grain being discharged through a hopper in the floor.

(i) 20-ton high-capacity steel goods trucks. Especially suitable for loading with large consignments of grain.

COAL AND THE RAILWAYS—THE WAGON PROBLEM

No record of British transport would be complete without reference to the grandparent of railroad traction—coal. Coal transport preceded passenger trains and the delivery of other goods by many decades. Indeed, the familiar "open wagons" of the British railway system are no more than a development of the "wains" used in colliery districts

300 years ago. Originally, the wagons were constructed of wood. Then iron was used for wheels, axles and rails. Today the frames, axles and wheels of the open trucks are of steel. The superiority of all-steel wagons seems to be admitted. Experts, with experience extending over years, offer this comparison of the relative cost of repairs and maintenance per ton of wagon capacity for 21 years' life:

| | | | |
|---------------------------------|-----|-----|-----|
| 12-ton wagon (all wood) | ... | ... | 100 |
| 12-ton wagon (steel underframe) | ... | ... | 83 |
| 12-ton wagon (all steel) | ... | ... | 60 |
| 20-ton wagon (all steel) | ... | ... | 45 |

In 1937, Britain's coal production was 240 million tons, of which 182 million tons were available for home consumption and 56 million tons were shipped abroad, the figure including coke, manufactured fuel and coal used by steamers engaged in the foreign trade. Of the 240 million tons, about 188 million tons of coal, coke and patent fuel were transported by rail. One-fifth of the total rail receipts of British railways comes from the carriage of coal, coke and patent fuel, these goods constituting 60 per cent. of the total tonnage carried on the lines and representing 37 per cent. of the freight receipts. Yet no section of the industry is more backward, and it is difficult to resist the conclusion that the trouble lies in two legacies from the Victorian past—the private ownership of coal wagons and the fact that small wagons (only 10 or 12 tons) are used so generally.

In 1937 there were 656,834 railway-owned freight

wagons, as compared with 637,670 privately owned wagons in service on British railways, the latter representing a capital expenditure of about £50,000,000. This £50,000,000 is the chief reason why privately owned railway wagons persist, though it is admitted that much empty running and superfluous shunting would be avoided if the custom of returning empty wagons to their owners ceased.

Mr. H. G. Wells once said, using an unnamed authority, that 1 per cent. of a truck's life is spent in running full, 3 per cent. in running empty and 96 per cent. in standing in sidings. Even if the prospect is not quite so black as this analysis suggests, it is certain that there is a vast wastage in respect of goods wagons and the sidings at which they are filled and emptied. A commission sitting in 1926 estimated that from £600,000 to £1,000,000 a year would be saved by the abolition of private wagon ownership, and in 1919 a wagon trust capitalized by the railways was proposed as a solution of the problem. So far nothing has been done in this direction, except some extensions of wagon pooling. The savings indicated are certainly desirable in the interests of a properly co-ordinated transport system and may be worth consideration by the existing railway companies, if and when cheap capital is available. But it cannot be pretended that such possible savings justify postponements of the railways' demand for "fair play." There is no source of wastage in present-day railway management which will counterbalance the fall in traffic and the continuous increase in working expenses.

The railway wagon in its relation to heavy traffic has been treated comprehensively in a paper by Mr. C. E. R. Sherrington, "Transport and Distribution of Coal," read before the Institute of Transport in February, 1937. It was largely devoted to a comparison of coal distribution at home and abroad and the net result was a condemnation of the British system. As Mr. Sherrington said, no other country does or could tolerate the privately owned coal and mineral wagon. Moreover, in France and Germany the standard truck is the 20-tonner, with a large proportion of 40- and 60-ton wagons, while abroad all stock is fitted with continuous brakes and rigid coupling, which make for speedy journeys and more effective wagon-duty. Mr. Sherrington reaches the conclusion that the German system results in double the duty being secured from the coal wagons which Britain obtains, and he describes our existing system as wasteful and costly. The cost is paid for, in part, by high rates and, in part, by the coal-consumer. Mr. Sherrington describes the United States coal wagons as varying from 50 to 100 short tons. They are of bogie design, the largest being equipped with six-wheel bogies, with standard American automatic couplers and universally fitted with air brake; the modern coal car gives a good load ratio in proportion to its tare weight, a typical example being a capacity of 75 tons on a tare weight of 25 tons. Practically all tonnage is handled in railway-owned cars, those normally used for the traffic being fitted with hoppers, thus permitting very rapid discharge. In

the case of coal shipped at an efficient American port, the wagon is propelled up a pier by a so-called dolly and locked into position on a dumper which revolves the car sideways, thereby discharging its load on to conveyors which direct it into lake vessels, barges or ocean steamers. The number of cars suitable for coal loading in the United States and railway owned totalled 825,893 in 1934 with an average capacity of 54·5 tons. Privately owned coal cars today do not exceed 2 per cent. of the railway-owned total. These outsize trucks do not seem suited to British industry as at present organized. The 50-ton wagon must be a bogie eight-wheel truck, and few British mines, inland coal yards or docks are at present equipped to deal with such things. Only where coal is in course of continuous carriage from a pit to a single consumption point can 50-ton wagons be used with advantage. At present these circumstances are rare in Britain. Most pitheads and dockyards are only equipped to deal with 20-ton wagons.

In general, the economy of the high-capacity wagon arises from the gross tare—*i.e.*, the smaller total weight to be hauled. For example: To carry 2,000 tons of coal in 10-ton trucks involves hauling 3,300 tons of deadweight; 2,000 tons in 20-ton wagons involves only 2,800 tons. In 50-ton wagons the deadweight would be about the same. Nor is this all. Whereas 100 yards of siding will accommodate 240 tons of coal if 20-ton wagons are used, they will only accommodate 160 tons if the coal is in 10-ton wagons. Indeed, the saving to the companies would justify

the payment of a rebate to users of 20-ton wagons, as in fact the Great Western Railway already does to clients who send them coal for shipment in big wagons. This company has also offered to hire 20-ton wagons to colliery proprietors, with the option of purchase on favourable terms, the offer being conditional upon the breaking-up of old wagons of equivalent carrying capacity. The comparative figures are :

| | | 20 Ton. | 2 × 10 Tons. | Saving. |
|-------------------------|-----|---------|--------------|--------------|
| Total load hauled, tons | ... | 30 | 34 | 12 per cent. |
| Weight of empties, tons | ... | 10 | 14 | 29 " " |
| Siding length, feet | ... | 25 | 38 | 34 " " |

It is an anachronism that a private owner who buys up-to-date high-capacity cars and loads a thousand tons of coal into 50 wagons weighing 500 tons should pay the same freight per ton of coal as the owner who proffers a railway the same thousand tons of coal in a hundred obsolete trucks weighing 650 tons. The 4d. a ton rebate offered by the Great Western on freight charges for exported coal in fully loaded 20-ton wagons might well be extended.

The most economical truck is probably the 20-tonner, and it has been estimated that British railway companies would save £1,950,000 a year by employing them for their mineral traffic, while private owners would save another £1,300,000 a year in maintenance and renewals. The following table explains the economy arising from the 20-tonner :

| Load Capacity. | Tare Weight. | Weight to Capacity. |
|----------------|--------------|---------------------|
| 10 tons | 7 tons | 40 per cent. |
| 20 " | 10 " | 33 " " |
| 40 " | 18½ " | 31·33 " " |

Hitherto every effort of the railways to popularize coal wagons of 20 tons and over has been frustrated by the fact that the distributing firms are unwilling to scrap their small trucks, primarily because they are concerned with a public demand for small quantities of many varieties of coal. Small wagons are, therefore, convenient as storehouses. Frequently trucks can be seen in a railway siding only one-third full. Each truck contains a type of coal which is in small local demand. In the process of meeting this demand the coal wagons have been transformed from instruments of transport into storage-bins.

The use of railway sidings as a storehouse may well be a convenience to a coal distributor, but the issue from the standpoint of economic railway management is very different. If the privilege is justifiable economically it should be paid for. It has been definitely stated that under railway ownership coal wagons would not be available for free storage, and this appears to be the real reason why Mr. Philip Gee, speaking for the Mining Association of Great Britain, is opposed to company-ownership. Mr. Gee added that the private ownership of wagons provides the railway companies with a large quantity of revenue-earning rolling-stock at no capital or maintenance cost to themselves. This is true, but big sums of money are being lost every year because coal transport continues to be conducted on mid-Victorian lines.

Other difficulties arise from the continued use of the grease axle box in privately owned wagons

whereas the majority of the railway-owned are fitted with oil boxes. The oil axle boxes permit of higher running speeds, and the slow-moving freight trains are largely traceable to the continued use of wagons with grease axle boxes, which tend to run hot and may well pull up a whole goods train while the offending wagon is detached.

Further, power brakes are also needed in goods trains if full efficiency is to be secured. Express freight trains must be fitted with power brakes applied by the drivers, not only to engines and tenders, but to the wagons themselves. Eighty-five thousand wagons with air-operated brakes operate on British lines, but many wagons in private ownership have no such power brakes. Some of these express freight trains are timed at an average speed of 45 miles an hour and attain speeds of 60 miles and upwards. Manifestly, wagons without power brakes cannot be included in such up-to-date trains. Coal trains are among the slowest-timed trains on British lines, owing to the infrequency of oil boxes and power brakes on the privately owned wagons.

Ill-judged criticism tends to exaggerate the savings which could be made in connection with up-to-date wagons. There is no doubt that the changes here suggested are highly desirable from the standpoint of general efficiency, but it is not so certain that they are desirable from the standpoint of stockholders under existing conditions. For full efficiency the mineral wagons require to be standardized, and standardization will often entail costly corresponding

changes at collieries and docks. The existing situation in the British railway world means that the four main-line companies are being starved of capital which might well be employed in bringing about very desirable reforms. If the public refuses to provide the capital in the form of sufficient payable freight, it must not grumble because expensive reforms are not carried through.

Even the most noisy of those who speak for the all-conquering road have not claimed that road hauliers are likely to become large-scale coal transporters in the near future. The same may be said of Britain's other heavy industry, iron and steel. Out of the 286,000,000 tons of freight handled by the railways during 1937, 40,000,000 tons were the raw material and finished products of the iron and steel industry. In 1932 the figure was 18,000,000 tons; following the revival of industry after the economic crisis, it rose to 40,000,000 tons by 1937. The average cost of transport per ton of finished steel is 12s. 6d. for raw materials and 13s. 6d. for the finished article, a total of around 26s. per ton. About 100 tons of raw material are used for every 14 tons of steel produced, and 60 tons of this has to be carried on the railways, the average haul being 40 to 50 miles. At such freight rates the service would be quite beyond the capacity of road operators. Hoppers for iron ore, extra-long bogie-fitted wagons for lattice girders, and well-wagons, the largest of which can carry 150 tons spread over fifty-six wheels, are examples of the special carriers

which the railways provide for the iron and steel industry.

While it seems proper that British railways should handle the larger part of this iron and steel traffic, road and water transport will assuredly continue to carry enough to maintain competition which will keep down freight rates. Critics of the railways' plea for a square deal have expressed doubt on this point, forgetting that in 1938 road transporters already handled considerable quantities of the raw material for the steel trade, and extravagant railway freights would assuredly increase the percentage. The reasoned reply of the railways to this criticism took this form:

(i.) The extent of the monopoly possessed by the railways so far as it can be said to exist is very limited. Neither the coal industry nor the iron and steel industry is confined to rail transport. Large quantities of household and industrial coal now pass by road, and the radius of distribution is extending, while in the case of iron and steel large quantities of pipes, structural material, tinplates, etc., are carried by road and in ever-increasing volume.

(ii.) Any general attempt to increase railway charges on the traffics of the heavy industries would naturally tend to divert a larger proportion of their materials and output to competing forms of transport. The railway companies would not lightly incur such a risk.

(iii.) Any partial or discriminatory attempt to raise charges would be exposed to the same risk over the narrower field affected. It is doubtful if there is a single firm in the heavy trades which could not

increase the proportion of its road transport in retaliation for any action which it regarded as inequitable on the part of the railways.

(iv.) The heavy industries are efficiently organised and can readily defend themselves or their individual members against unfair or oppressive action by a railway.

Having regard to the foregoing considerations, the railways do not feel that any special safeguards applicable to the heavy industries are really necessary. It should be added that any general rate structure will not be confined to railway and road, but will also include canals and coastwise shipping. The four main-line railways hold large interests in British canal companies, but those who represent canal interests alone favour the amalgamation of the principal canal systems which connect the four estuaries of the Thames, Severn, Mersey and Humber with the Midlands into four groups, thus emulating the example of British railways. It would then, it is claimed, be possible to create a rate structure for railways, road hauliers, canals and coastwise shipping, based on the railway classification scales of 1921.

EXPRESS FREIGHT TRAINS

If the carriage of goods should be reasonably cheap, it is also necessary that it should be speedy and well assured. Today 661 express freight trains are run daily and nightly, supplementing the work of thousands of ordinary goods trains. The fastest freight trains maintain average speeds of 45 m.p.h.,

whilst others are timed at 40 m.p.h. Many run over 100 miles without a stop. Indeed, some of the famous engines, usually associated with speedy passenger services, may be taken over temporarily for the express freight trains. When the well-known Flying Scotsman is not carrying passengers it draws the Aberdeen Meat Express, which has the reputation of being the fastest freight train in the world. It carries prime Scotch beef from Aberdeen for marketing in Smithfield. Two days before the beef was ready for loading into lorries for delivery to London butchers it was "on the hoof" in the Highlands.

In general, the express freight train services offered by the British railway companies ensure a one-day transit for general merchandise between all chief towns. Just as the companies pride themselves upon the Coronation Scot, the Cheltenham Flier or other crack passenger trains, so they are proud to put on the rails the Early Bird, the Cambrian Pioneer or the Farmer's Boy. These are three of the recognized freight trains whose usefulness to business men is suggested by the fact that their patrons associate them with individual names. With their aid perishables such as vegetables, meat, fruit, butter and milk are despatched each evening for delivery to the London or principal provincial markets in the early hours of the following day. Broccoli from Devon and Cornwall accounts for 36,000 tons of freight a year and gave the Great Western a revenue of £73,000 in 1937, while 3,500 vans of strawberries are loaded by

the Southern Railway annually from Hampshire farms. The use of the express vacuum and accelerated "E" freight trains ensures that such goods arrive in the pink of condition and secure an early and therefore the most remunerative market.

An express service to the chief railheads in Great Britain is only the beginning of the express freight service. This is supplemented by a highly organized railhead distribution consisting of a combination of rail and road service, under which the four companies collect and deliver goods of all descriptions, unpack consignments, issue credit notes, deliver to site if building or rebuilding is in progress, and provide storage accommodation as and when required. Under the railhead distribution service a trader can send his goods in full truckloads by express freight trains at low rates to be stored by the railways and then delivered to local customers as the sender instructs. This railhead distribution service gives collection and service from and to all places within ten miles of the railheads for such goods as grain, cake and meal for cattle and fertilizers.

The railway companies' country lorry services already operate from 2,750 country stations and depots throughout Britain, and may call at farms which are 10 or 12 miles from a railhead. It is a fact that nearly a million tons of potatoes are carried by British railways in a year, at a charge which averages a penny for 12 lb., the average distance carried being 120 to 150 miles.

Perhaps the most valuable services to big-scale manufacturers and traders arise from the private sidings, which link up delivery with the railway system. There are about 4,000 of these sidings on the London, Midland and Scottish system alone, enabling wagons to be unloaded at the precise point where the raw material can be most usefully employed. A railway company is always ready to consider making a contribution to the cost of such a siding if it is plain that this would be a more economical method of loading or unloading than the nearest goods yard can offer.

Which brings to mind that numerous advantages arise from actually erecting a factory on railway property, possibly bordering a river or canal. Indeed, the consequences of railway associations with general industry at times have far-reaching effects. The public-spirited action of the Great Western Railway Company in South Wales did not a little to rehabilitate industry in that sorely tried region after the post-war economic blight. Before, there were idle blast furnaces and closed factories; in a word, stagnation. By 1938 factories were springing up all over the area, no fewer than sixty-six new factories being put up in a single year. In not a few cases these are helping to save South Wales from its long and unhealthy dependence upon coal. Aluminium, sewing machines, biscuits, galvanized hollow-ware and paper boards are among the products which South Wales is now manufacturing, apart from the still more assorted manufactures on the Treforest

these insulated containers can be mounted. . Fruit, meat and other perishable produce can thus be carried direct from the ship's hold to their destinations in complete refrigeration.

The cold storage space at Southampton has a capacity of 1,700,000 cubic feet and has a rail connection with the main Southern line. The dock auction sales room is another facility open to traders. Moreover, 131 acres of reclaimed land on the Docks Extension Estate have been set aside for factories and the area is served by deep water and roadways as well as full rail and shipping facilities. The land for warehouses and factories is immediately behind the quays, and abundant water, cheap electricity off the grid and cheap gas are factors which make the Southern Railway at Southampton admirable landlords for enterprising manufacturers. General Motors, Limited, are one firm which has taken advantage of the railway's offer and has secured six acres for a motor-car assembly factory. All the railway companies can offer reasonably priced, low-rated sites for factories and, as these sites are invariably associated with main lines, cheap carriage of raw materials and coal is assured. Motor-cars, "wireless" equipment, confectionery, biscuits, light machinery, canning and lampware are branches of industry which can readily take advantage of the cheap transport charges which a factory on railway property ensures.

Among the public services rendered by the railway companies pride of place must go to the carriage

of letters and parcels. Letter mails are carried under the Conveyance of Mails Act of 1838, so the service has just celebrated its centenary. Under the Act the railways are bound to accept all mails offered at an agreed price for the service, which now amounts to about £3,750,000 a year. The first sorting carriage was run on the Grand Junction Railway in January, 1838, and took the form of a specially fitted horse-box. Today, there are seventy travelling postal sorting coaches, which deal with 500 million postal items a year.

Even in mid-London the railway system contributes to the smooth working of the General Post Office. Not everyone knows that there is a miniature line running 80 feet below ground between Paddington and Whitechapel, which moves at 35 miles an hour between stations. Forty trains an hour run over the railway, without drivers or guards, and carry nothing but mail bags, 30,000 a day. During the World War, the Post Office railway was used for the housing of art treasures from the London museums, which recalls that the aid which the Government may require from the four main lines under war conditions will not be confined to transport. Their locomotive-making and repairing shops are capable of turning out a great variety of war material and will do so in any coming struggle, as they did during the World War of 1914-18. One hundred thousand trained men are employed in the Great Western works at Swindon, at the London Midland works at Crewe and elsewhere, at the North-

Eastern works at Darlington, Doncaster, Gorton and Glasgow and the Southern Railway's works at Eastleigh and Ashford. Between 1914 and 1918 about 30 per cent. of the pre-war staff of 600,000 was released for military and other national services. Yet the conveyance of troops and the carriage of the raw material and finished products of the munition and other factories continued at full pressure. Not a few railway workshops were converted into centres for the manufacture of shells, gun-carriages, tanks and other objects of war, while railway-owned steamers were requisitioned as hospital ships, mine-sweepers and seaplane carriers. The work for the Government was done at cost price and therefore without any profit to the railways. This huge reservoir of craftsmen and machinery alone constitutes an important argument for not permitting any decline in railway efficiency.

This is not an occasion to enlarge upon the advantages accruing to suburban areas by the electrification services on British railways. Many districts have grown from small villages into large-sized towns following upon the electrification of an existing line or the extension of railway facilities from a big business or manufacturing centre. Motor omnibuses and road facilities have assisted the development, but, basically, speedy electric trains have been responsible for the miracle of recent urban development, not only in London, but in the neighbourhood of several large cities. Semi-detached houses, twelve or so to the acre, which scatter the population at low densities

in the outer suburbs, are only practicable where easy and cheap travelling facilities are available.

Incidentally, recent schemes for slum clearance, by diffusing large bodies of the working population over suburban areas, have added to the difficulties of the railways, as the demand for transport is practically confined to the peak hours in morning and evening. It is unreasonable that these facilities should be demanded on the existing uneconomic basis.

The present is an age of rapid change, due to the ease with which invention and scientific discovery can be applied to industry. What is much less certain is where the search for scientific perfection should end. Every "improvement" in industry is not necessarily a real change for the better. "It's not worth while" is still a dictum which may properly be applied. Lord Stamp said some wise things on the subject in his "Science of Social Adjustment," in which the main thesis was that economic progress is really nothing more than the orderly assimilation of innovation into the general standard of life. Part of the orderly assimilation of innovation is care that those who provide both the innovation and the institution innovated have their due reward. Otherwise, the institution must necessarily fail to function. Why should an inventor invent if he meets with no reward, and why should an institution accept his discovery if it wins no profit in exchange for the inconvenience of changing from what has been stabilized to the new state?

Plainly, this is an aspect of the general nationalization problem. It is not easy to determine the proper scale of workmen's fares when dormitory towns are becoming essential in the neighbourhood of such a city as London. Workers must be brought to their jobs at reasonable fares, as well as housed at reasonable rentals. Again, it is not easy to decide which are proper freights to be charged upon the raw material of the shipping industry. National considerations arise, as they arise in Germany and Italy, where factors affecting public defence determine so many problems in the transport industry. Indeed, excursion fares, associated as they are with holidays with pay, may well call for a decision far removed from such considerations as the profits payable to the junior stockholders in railways. This is true, but there will be no proper solution to a complex problem if the junior stockholder is forgotten.

PART IV

RAILWAY STOCKHOLDING

THE foregoing record should have persuaded any unprejudiced reader that a kindly tolerance is the due of organizations which are meeting their obligations as public utility concerns very faithfully under circumstances of considerable difficulty. Equally, it should focus attention upon the position of those who built, equipped and now own the railways. The Big Four in British railways are not public utility concerns and nothing more. They are also privately owned corporations, with a duty to their shareholders, and when national control in any form comes up for final consideration and decision the treatment to be accorded to shareholders should be no small part of the matter.

It cannot be estimated with precision how many people hold investments in British railways. It is certain that there are about 850,000 separate shareholdings on the registers of the four main lines and not a few are trustees representing the interests of several persons. Making every allowance for investors who hold shares in more than one company, the body of railway shareholders cannot be much smaller than the body of railway employees. A fair estimate would put the stockholders at half a million,

many being men and women of slender means, who ventured their small savings in the belief that the long history, the size and the importance of the industry alone gave promise of reasonable security.

At the end of 1937 the capital receipts of the four main line railways stood at £1,093,000,000, the capital expenditure being £73,000,000 higher. The £1,093,000,000 is now £1,109,000,000, of which about 30 per cent. is represented by debenture stocks, 45 per cent. by guaranteed and preference stocks and 25 per cent. by ordinary stocks. For many years this capital has been remunerated on a very moderate scale. 1913 was a fairly good year for British railways, yet the net revenue amounted to only 4·38 per cent. on the capital involved. The net revenue in 1937 was even more modest, being 3·47 per cent. As for the junior stocks, much railway stock carries a guaranteed 5 per cent. dividend and is irredeemable. Consequently, ordinary stocks bore the brunt of such a crisis as the General Strike of 1926, the Economic Blight of 1931-32 and the War Threat of 1938.

The strike of 1926 may appear to be ancient history from the standpoint of British railways. Nevertheless, the National Union of Railwaymen spent £2,350,000 upon that disastrous experiment, and thereby reduced the Union's accumulated assets from close upon £3,000,000 to £500,000. By 1938 the accumulated funds of the N.U.R. were once more at the 1926 level, being £2,037,993 in 1937. The consequences of the 1926 strike, however, are

still with the railway stockholder and recall that the unhappy episode is by no means ancient history so far as he is concerned. In 1926 the revenues of the four companies decreased by £6,490,000 as compared with 1925, and the ordinary dividends fell in corresponding fashion.

| | | 1925. | 1926. |
|------------------------|-----|--------------------|--------------------|
| Great Western ... | ... | 7 per cent. | 3 per cent. |
| London Midland ... | ... | 6 " " | 3 " " |
| London North-Eastern : | | | |
| Preferred ... | ... | 5 " " | $\frac{1}{2}$ " " |
| Deferred ... | ... | 1 " " | — |
| Southern : | | | |
| Preferred ... | ... | 5 " " | 5 per cent. |
| Deferred ... | ... | $3\frac{1}{2}$ " " | $1\frac{3}{4}$ " " |

A slow return to the pre-strike position was interrupted both by the growth of road competition and by the economic blight of the early 'thirties. Since then there has been yet another struggle towards a just dividend distribution, which may fairly be defined as dividends comparable with those earned by similar industrial enterprises. Regarded merely as public utilities, the railways made a fairly satisfactory recovery, thanks to drastic reorganization which brought about big savings and thus permitted the introduction of much up-to-date equipment and method. Here are the gross receipts of the four main lines in 1932 and 1937:

GROSS RECEIPTS IN 1932 AND 1937.

| Company. | 1932. £ | 1937. £ | Increase Per Cent. |
|--------------------|--------------------|--------------------|-----------------------|
| London Midland ... | 65,496,000 | 75,855,000 | 15·82 |
| L.N.E.R. ... | 48,678,000 | 56,430,000 | 15·92 |
| Great Western ... | 28,462,000 | 32,586,000 | 14·49 |
| Southern ... | 22,329,000 | 25,580,000 | 14·56 |
| | <u>164,965,000</u> | <u>190,451,000</u> | <u>15·45</u> |

The diminished traffic totals in 1938 were in the nature of a catastrophe in view of the hopes aroused in 1937, hopes which even found expression in the speeches of the chairmen at the railway meetings in February and March, 1938. At the time of writing the position of holders of ordinary shares in the four lines is most unhappy. British railways are earning enough to give good wages to 600,000 employees and to meet replacements generously, but they are not earning anything like enough to give stockholders anything approaching even a reasonable return upon their investments, and still less the standard revenue contemplated by Parliament. It is not true that general industry was equally slow in recovering from the economic blight of 1931. An analysis of the return on capital of 2,271 typical companies made by the *Economist* in July, 1937, was submitted to the Railway Staff National Tribunal. This showed that the average return upon debentures in general industry was 4·5 per cent., upon preference shares 5·4 per cent. and upon ordinary shares 9 per cent., not to mention additional payments to reserve funds representing 4·6 per cent. on the ordinary capital. The corresponding returns in respect of railway capital were:

| | | | | | |
|----------------------------------|-----|-----|-----|-----|---------------|
| Debentures | ... | ... | ... | ... | 3·9 per cent. |
| Guaranteed and preference stocks | ... | ... | ... | ... | 3·8 „ „ |
| Ordinary stock | ... | ... | ... | ... | 1·46 „ „ |

The maximum railway earnings permitted by Parliament are only 4·7 per cent. on the capital in-

volved, surely not an extravagant rate. But it is only when examination reveals the proportion of the gross receipts available for dividends upon the junior stocks that the real grievance is revealed. The amount available for interest and dividends in 1937 was £38,245,000, representing 3·43 per cent. upon the total capital receipts and 1·79 per cent. on the ordinary stock issued. The comparable figures in previous years were:

| <i>Year.</i> | <i>Interest and Dividends on Capital.</i> | <i>Percentage on all Stocks.</i> | <i>Percentage on Ordinary Stock.</i> |
|--------------|---|--------------------------------------|--|
| 1937 ... | 38,245,000 | 3·43 | 1·79 |
| 1936 .. | 36,439,000 | 3·26 | 1·44 |
| 1935 . . | 34,348,000 | 3·08 | 0·96 |
| 1934 . . | 33,113,000 | 2·97 | 0·86 |
| 1933 ... | 30,832,000 | 2·76 | 0·76 |
| 1932 ... | 28,840,000 | 2·59 | 0·57 |

An astounding example of the effect of present-day dividends was brought to our notice recently when a correspondent told us that she had just received two dividends totalling 3s. 6d. upon a capital of £800,000 invested in the L.N.E.R.! It said much for the lady's sense of humour that she was able to detect an amusing side to the manifest tragedy.

The reason the promised 4·7 per cent. cannot be earned is that, though gross receipts have increased, working costs have increased very much more. In comparison with 1913, the year which fixed the 4·7 per cent. return upon railway capital, there has been a rise of 40 per cent. in gross receipts, but a growth of 80 per cent. in expenses. Even in 1937, which

was a year of trade activity, £78,284,000 of railway capital received no dividend, while in 1938 about £360,000,000 will go unrewarded. The decline in net revenue during 1938 was in the neighbourhood of £9,000,000, leaving no margin of profit for ordinary shares in any of the companies, except the Southern.

Ah, say railway critics—"watered capital." Watering capital is to increase the nominal capital of a company by the issue of shares without any corresponding addition to assets. In actual fact there is no watered capital in existing railway stock, and the notion that "water" should be steamed out and the capital burden lightened reeks with fallacies. There was a time when a certain amount of watered stock existed in British railway capital. Irredeemable debenture stock, bearing a high dividend, was paid off at a price well above par and was replaced by larger amounts of stock bearing lower rates of dividend, but the transaction did not involve any increased calls upon revenue. The description "watered capital" would be comic were it not capable of arousing grave prejudice, as does the phrase non-Aryan in certain totalitarian States. Sir William Wood, Vice-President of the L.M.S.R., is a recognized authority upon this phase of economic history, and those interested in facts are referred to a paper on the subject published in *Modern Transport* (November 23, 1935).

The capital accounts of the companies show that just over £800,000,000 has been spent upon the

land, permanent way and signalling system of the four main lines; rolling-stock, £150,000,000; railway workshops, £22,000,000; docks, £70,000,000; and land not used in connection with the railways, £31,000,000, are other items. These are big figures, but British railways were built through developed land and not through virgin country, as were United States and Canadian lines. Tunnels, bridges, embankments and cuttings all cost British railways much more than they did on American lines. In any case, why the capital represented by essential expenditure of this kind should be denied reasonable dividends passes the comprehension of the unprejudiced. It is also important to remember that more than £300,000,000 has been spent since 1923 upon renewals, reconstruction of rolling-stock, track and stations. This does not suggest that railway managements have been neglectful of their properties.

Can it be doubted that the only reasonable test of commercial value is replacement value? If so, it is abundantly clear that the railway system of Britain could not be reconstructed for the £1,109,000,000 now charged to capital account in the books of the four companies. Indeed, the physical assets in the present possession of the four main lines represent at present prices some 50 per cent. more than the expenditure of the £1,109,000,000. Consequently, those who adopt the "watered capital" argument must presuppose that railways are no longer needed in this country and the existing system of transport should be reconstituted without them. Such a view

would be understandable and shareholders would then be in the position of any other private speculators who have drawn a blank in the lottery of industry and find their tickets valueless.

In fact, everyone agrees that railways do *not* belong to a past industrial age, and the record of their present activities in earlier pages is sufficient evidence thereof, if the fact of 600,000 employees, earning more than £100,000,000 a year, were not even more concrete proof. The truth is that all over the world privately owned railways stand to be fired at whenever wage-earners look for shorter hours or higher wages, or the general public desire lower fares and lower freight rates to compensate them for any period of bad trade. Trade union pressure begins directly railway profits are on the up-grade, while there is no disposition to submit to cuts in wages to meet declining receipts. This may be human nature, but it works very unjustly for holders of junior securities in British railways. They are willing to stand the racket of a period of bad trade, but naturally expect to gain a corresponding advantage when national trade is on the up-grade.

As any general accusation of railway incompetence would manifestly be a double-edged weapon in the hands of railway employees, Labour critics of private ownership generally content themselves with vague charges of improvidence in the past. They picture this improvidence as hanging like a millstone round the neck of the industry and producing a capital hundreds of millions of pounds in excess of what is

proper or necessary. The inaccuracy of the statement has already been pointed out. In fact, the existing capital of the four main lines in Great Britain dates from no further back than the end of the World War. When the Railways Act of 1921 was passed, railway properties were revalued for the purposes of amalgamating 100 and more companies into the existing Big Four. The capital of the absorbed companies was exchanged into corresponding classes of stock in the amalgamated companies on the basis of actual earnings, and more than £100 million of pre-war capital which was earning no dividend was wiped out. There is no over-valuation of assets in present-day railway accounts, unless it be suggested that Stock Exchange quotations at a given date should be the only criterion of value.

Writing down the amount of railway capital to values commensurate with existing Stock Exchange quotations might improve the appearance of railway earnings, but it would not add a pound sterling to the actual amount. As a writer in *Modern Transport* pointed out, such a writing down would be tantamount to the action of a local authority, which, in an effort to reduce the municipal rate by 50 per cent., doubled the valuation upon the property.

The argument based upon the "water-logged" fallacy assumes some strange forms. A favourite one is the statement that some old-time company paid a landlord £120,000 for land valued at £5,000. But the reader is not reminded that all this happened ninety or a hundred years ago and that since then the old-

time railway has been absorbed into, say, the old London and North-Western, which, in its turn, has been absorbed into the London, Midland and Scottish of today. When the L. & N.W. directors took over the assets of the old-time railway they only paid for assets which were earning a due interest, and the same is true of those who arranged the merger of 1921. These excursions into ancient railway history are part of the "red herring trailing" which complicates so much economic debate.

Another form of the "water-logged" fallacy is the insinuation that the capital outlay of the railways includes payments for stretches of line and stations which are no longer profit-earning. That such stretches of line and such stations exist cannot be denied, but their closing down is part of the general traffic problem and only concerns railway capital insofar as the value of the lost property must be subtracted from the total. This is done as a matter of course. Between 1924 and 1937, £1,360,000 was written off in the capital accounts of the four main-line companies on account of closed stations and branch lines. In all cases, the test was the revenue-producing one, and the decision reached was that the station or branch line no longer paid for itself, regarded as part of a big system.

In Great Britain the permission of a government department is necessary before unremunerative branch lines can be closed, but the main-line companies can secure such permission without undue delay. Twelve miles of G.W.R. line in Shropshire

were closed down in September, 1938, a single goods train a week being substituted for the regular service. Similarly, an L.M.S. line between Southport and Downholland, where road competition has been severe, has been closed for passenger services, though two goods trains a day will be continued.

Though the policy of closing lines has not been widely approved in Britain, 20,300 miles of railway line have been abandoned during the past 20 years in the United States, whereas 10,500 miles have been constructed, being a net loss of 9,800 miles of railway. France, as has been said, is abandoning about 5,000 miles of railway in the interests of economical working.

In Britain the loss of the old-time monopoly has certainly altered the situation in regard to lines and stations which no longer provide remunerative traffic, and Sir Felix Pole, once General Manager of the Great Western, has gone so far as to advocate the closing of all lines whose traffic could be carried equally well on the public roads, and is in favour of writing down railway capital to the extent of the displaced assets. Mr. Gilbert Szlumper, General Manager of the Southern Railway, in his presidential address to the Institute of Transport in November, 1938, made a somewhat similar proposal. This was that some system should be established under which the slower passenger and goods trains should be expedited by cutting out stations of lesser importance—that is to say, the stoppages would be at every 25 or 30 miles, and road services would take or

deliver the goods to or from the trains at these stopping points and distribute them over the intervening areas.

It is to be noticed that the railway trade unions from time to time are themselves troubled regarding the financial position in which the four main lines find themselves. The grandiose scheme of motorways (see map, p. 29), which the County Surveyors' Society placed before the Ministry of Transport, contemplating the building of 1,000 miles of motorways at the cost of £60,000,000, has been mentioned. It drew this comment from Mr. Marchbank, the General Secretary of the N.U.R.:

“Quite so; but what about the railways? What about the millions of railway capital, the millions of the wage-bill for railway service; and the millions of fixed capital represented by railway tracks, station yards, rolling stock and railway shops? Are these to be allowed to sink steadily in magnitude and value through competition with a highly organized and costly system of new ‘motorways’? Have the promoters of this scheme given the slightest consideration whatever to its bearings upon the railway problem?

“We know what that problem is coming to mean for railwaymen! We find our wage claims put off with the argument that the financial position of the railway companies will not stand any addition to railway costs. How can the companies' financial position be safeguarded, to say nothing of reaching standard revenue, if a whole new system of motor roads is to be constructed to serve centres of population already equipped with railway facilities, as most,

if not all, the suggested routes manifestly are equipped?

"It is Bedlam economics to put forward schemes of this character without reference to the existing situation in transport organization!"

It is gratifying to find a railway labour leader echoing an argument which those who speak for the stockholders use continually. Directly there is a shortage of capital (and the non-payment of a reasonable return on invested money quickly means a shortage of capital) the workers suffer. There is no possibility of divorcing the ultimate welfare of workers from the industry in which they are employed. Only for a very limited time can they extort an undue amount from the working profits. Between 1931 and 1936 the railway employees on British lines were forced to sacrifice £3,222,000 per annum.

No small sum, yet the losses of the half a million workers have proved to be small in amount and short-lived in comparison with those of the half a million stockholders. The stockholders have lost since the commencement of the 1931 slump a sum far in excess of a hundred million sterling, when actual receipts are compared with "standard revenue," and the amount is increasing each year, with no immediate prospect of redress or mitigation. It is no reply to this argument to find refuge in a sneer at the "profiteer" or "rentier," since the average holding of stock is quite small and indicates that very many of the sufferers are in quite humble

circumstances—an impression only too definitely confirmed by many letters received from those whose loss is relatively the greatest and most keenly felt.

The position as between railway labour and railway capital is even more significant when comparison is made with pre-war conditions. A statement showing the division of the net product of the industry over a period of years was put before the National Tribunal which determined the wages of railwaymen in August, 1937. The statement showed that the gross receipts had increased by over £52½ million between 1913 and 1936, and the total of the net product had increased by over £40¾ million. Nevertheless, the share received by capital decreased by nearly £9½ million, while the share of labour had increased by no less than £50 million. In 1913 labour received 51 per cent. of the net product of the industry, whereas capital as a whole received 49 per cent. By 1936 the division of the net product was: labour, 73 per cent.; total capital, 27 per cent.; and share capital, 18 per cent. Moreover, for a long time large sections of ordinary capital have been without any remuneration. In 1929 and 1930, which were normal years, £36 million received no dividend, while in 1932 and 1933 (abnormal years) £311 million of capital was dividendless. Even in 1936, when general trade was recovering, £78 million of ordinary capital received no dividend. The facts embodied in the statement put before the National Tribunal, far from suggesting an inadequate wage level, supports the view that existing wages on

British railways are generous. As compared with 1913, labour's share of the profits of the railway industry has increased by more than 100 per cent., whereas the share received by capital has decreased by 21 per cent.

In these circumstances it is strange that a responsible official such as Mr. Marchbank has been moved to describe the railways as "having had their pound of flesh." The imagined spectacle of 850,000 shareholdings embodied in the form of Shylock, knife in hand, would be amusing if it was not completely divorced from any actuality. In fact, a fraction of the 850,000 railway shareholdings are being remunerated on the basis of their pre-war earnings, without any allowance for the rise in the cost of living, which other forms of remuneration expect, and which Mr. Marchbank's clients assuredly have demanded with full effect, while the remainder are without any return whatever on their capital.

Which brings up the matter of the wages paid to British railwaymen. In this connection let it be said at once that railway stockholders have not the least desire for a one-sided deal with employees, but rather wish them to have just as high a standard of wages as a flourishing industry will permit. Just, and even generous, wages are part of any well-managed industrial concern, and particularly of any well-managed public utility, which necessarily must bear the brunt of continual criticism in such a matter. A just and generous wage standard, how-

ever, is not a matter of so many pounds, shillings and pence weekly, but of spending power in comparison with that of wage-earners in a similar position of life and in neighbouring surroundings, and on any comparison it is necessary to remember that many railwaymen enjoy such advantages as uniform, travel facilities at cheap rates and accommodation in companies' houses at low rentals, all of which represent a real addition to average earnings.

For conciliation grades the general level of remuneration is 119 per cent. above pre-war weekly rates, whereas the wage rates throughout British industry in general are no higher than 75 per cent. above pre-war. As for owners of railway capital, their shareholding is based upon the net revenue of 1913, without any enhancement to meet the general rise in the cost of living. In other words, the pre-war share of labour, stated at 100, has swollen to 211, while the pre-war share of such capital as enjoys any return, stated as 100, has shrunk to 70.

Nevertheless, the lucky railwayman will be wise if he does not rely too much upon existing good fortune. Few general statements are less justifiable than that the capital employed in any industrial concern can suffer without corresponding losses being experienced by labour. In this connection some astonishing figures have been published regarding the financial crisis in the United States of America and the effects upon the staffs of the leading railways. In America the general rule is that seniority should be respected. Workers, therefore,

are dismissed in accordance with the date of their joining the company concerned. In other words, it is the junior members of the staff who suffer. Between 1929 and 1933 the employees on United States railways declined from 1,736,000 to 972,000—that is, a fall of 763,000. When the 10 per cent. wage deduction was restored in 1934-35 there was a further fall in employment. Again, the junior members of the staff suffered. With improving business railway employment increased until the middle of 1937, but by June, 1938, the total was more than 800,000 below that in 1929 and 263,000 less than that in June, 1937. It is true that the 935,000 men and women who continued in employment earned higher wages than ever before, but the 800,000 had no wages at all. And the reason for this suffering is that the Bureau of Railway Economics at Washington estimates that in 1938 the ratio of net operating income to capital of all American railways has approached vanishing point! Labour necessarily suffers along with the capitalist. This is a law, not of economics, but of human existence.

The attitude of the trade union movement towards railway shareholders was defined by Mr. Attlee, Leader of the Labour Party in the House of Commons, in an address to the British Railway Stockholders' Union in January, 1937, in which he indicated that, personally, he had no desire "to sock the stockholder good and hard." Apparently railway stockholding is not to be a crime when Labour

assumes control of the helm of State, but only a misfortune. As Mr. Attlee said:

"I believe you here are among the first whose property should be taken over by the State; but I would not penalize you because of your priority. There are people who think you can do the double process—take over the railways and 'sock' the stockholder good and hard at the same time. However much I may wish to 'sock' him, I think it is better done by a separate process, in which I should have regard, not to the fact that he was a railway stockholder, but to the amount, rather than the character, of his holding."

Since January, 1937, other political leaders have amplified Mr. Attlee's statement of Labour's attitude. Mr. Marchbank, General Secretary of the National Union of Railwaymen, in the *Railway Review* (January 7, 1938), wrote:

"Holders of stocks and shares in the railways exercise as such no useful function in railway management. They could be expropriated tomorrow without making the smallest difference to railway administration. Their disappearance would mean no loss of efficiency, no change whatever in the actual running of the railways. They are entitled to fair treatment, but not to preferential treatment."

This would seem to mean that the half-million wage-earners are to have all their demands before the half-million stockholders (equally needy individuals) get anything. Indeed, this is how Mr. Ernest Davies,

of the New Fabian Research Bureau, another spokesman for the Labour Opposition, looks upon "proper compensation" when railway nationalization comes up for settlement:

"Compensation should be the minimum amount possible without upsetting the economic system. Interest charges arising out of compensation should prejudice neither the rights of the consumer nor the wages or working conditions of the employee."

Here is another revealing sentence from Mr. Davies' "How Much Compensation?": "A standard working week, standard wages, holidays with pay, pensions and other amenities of the most-favoured industry will be required of every public corporation before it meets its interest charges." Mr. Davies continued: "*In this direction, too, lies the way of reducing the effective compensation granted in the first place.* If, as progressively more and more industries come under public ownership, the government imposes an increasingly stringent labour code in all industries, both public and private, the balance available for equity holders, where they retain an interest right, will automatically diminish." In other words, he considers it right that, while compensation should be promised, every effort should be made, by increasing the demands of labour, to see that the stockholder eventually receives little or nothing.

Fortunately, such an obviously amoral transaction has little chance of adoption. It may be true that

stockholders today exercise no useful function in railway "management," but the future of transport in Britain will be dark indeed if capital is denied to it. A big railway system cannot live upon its own fat. Continually it needs money for the extension of lines and the modernization of plant. Labour is short-sighted when it fails to see the necessity for capital if British railways are to continue to earn wages for half a million or more employees. Expropriation of personal property is so alien to British notions that the Socialist leaders are doubtless expressing personal rather than general prejudices when they justify such a solution of the railway problem. Railway employees would do well to remember that they know how they stand in present conditions. They can fix responsibility, enforce standard hours of work and standard rates of wages and remove organized tyranny. It is less certain that Labour will know how to deal with the State. Nazi-ism and Fascism have shown that there are hundreds of major and petty tyrannies which a State employer can enforce, though no private capitalist in the year 1939 would dare even to propose them. Under the Capitalist system the employee has an ascertained status. It is doubtful if he would have any status if the State was all and everything.

Even more grievous handicaps affecting stockholders arise when trade union leaders introduce purely political factors into their arguments and actions regarding nationalization. At the annual

meeting of the National Union of Railwaymen, held at Southport in July, 1938, Mr. John Marchbank announced his belief that there could be no peace while there was capitalism in any part of the world, and he advocated a forty-hour week and pensions at sixty as the Socialists' cure for unemployment. Railway stockholders have never shown any disposition to "cut" wages, but they may justly resent that a forty-hour week and similar reforms should be carried through at the cost of ruin to themselves. If the State as a whole can manage with forty hours' work a week from railwaymen and can pay pensions to all workers at sixty years of age, without incurring national bankruptcy, well and good. But it is unjust that a needy body of stockholders should be ruined in the process. Again, if the contention of the National Union of Railwaymen were accepted, it would logically involve every industry providing even its lowest grades with a standard of living far in excess of what these industries can themselves afford to maintain, and that again must mean a great part of the burden falling on the shoulders of the overburdened taxpayer.

The mere hint of such an eventuality, perhaps, suggests the gravest objection to the nationalization of such a public utility as railways. At the root of public ownership and management lies the fact that an inarticulate body of taxpayers inevitably suffers any loss that may accrue from a year's working. Our study has shown that railways are intimately interwoven with trade and commerce and that the closest

association with all sections of the business community is essential if efficiency is to be secured. Moreover, all experience shows that the divorce of railway working from financial responsibility is fundamentally unsound. It is doubtful, indeed, if the taxpayer will be actively critical of short-sighted or weak management, which is only too probable if railway management is divorced from control by men in close touch with industry, big and little. The existing system forces those who make the mistakes to pay for them and human experience has not yet devised a better goad to efficient and economic business.

Extreme Labour opinion is even more outspoken than those who speak for the National Union of Railwaymen, though it is doubtful whether their utterances are more damaging. Thus Mr. Jack Walton, writing in the *Socialist Vanguard*, organ of the Militant Socialist International (February, 1938), gave it as his opinion that:

“A unique position is rapidly developing which affords the three railway trade unions a golden opportunity to enforce better conditions for their members. Thirteen years of industrial peace have strengthened the National Union of Railwaymen, the Railway Clerks' Association and the Associated Society of Locomotive Engineers and Firemen at least financially. There is now a period of economic boom. The railway owners are being forced by circumstances beyond their control to ask for re-organization. *It is the psychological moment for bargaining.* A united campaign of the three trade

unions should be launched immediately for new agreements on a basis of:

- (1) A forty-hour week;
- (2) All-round increases in wages and salaries;
- (3) Full compensation for all redundant workers."

Mr. Jack Walton added:

"A distinction must be drawn between the nationalization policy of the Labour Party and the dividend-grabbing schemes of the capitalist interests. It cannot be too strongly emphasized that the latter is not a real change of ownership from private interests to the State. It is merely a change in the form of ownership to increase capital value and the remuneration of private holdings with a gilt-edged stock. An excellent method for insuring against future slumps! It is upon this basis that Socialists, and particularly those concerned directly with railways, must determine their attitude."

On analysis, Mr. Jack Walton's article, coupled with the compensation proposals of other exponents of Labour opinion, are nothing less than industrial freebootery. The four main lines are first to be "bled white" by excessive wage demands, and then the unhappy stockholders are to be compensated "in accordance with the amounts their undertakings can earn" after trade union pressure and prejudiced industrial legislation have done their worst.

In this connection a sidelight, showing how Labour can modify its view to suit its special interests, is to be found in a report recently issued by the Socialist Party, pressing for greater efforts in

research in getting oil from coal. The main argument is that the State should take the development of the industry into its own hands, but this addendum follows:

“While holding these views, the Party does not desire to see the production of oil from coal formally prohibited to private enterprise. Many experiments must be made and many mistakes, doubtless, will be made before the coal-oil industry reaches a settled condition. While wholly unimpressed by the argument that the State should never shoulder industrial risks, the Labour Party has no desire to thwart the activities of pioneers who are prepared to shoulder similar risks. There is need in the coal-oil industry, as in all pioneer industries, for inventive genius and creative ideas. These qualities can be engaged in the service of the State, but if the magnet of personal profit is also required it should not be ruled out.”

This unexpected tribute to the virtues of private enterprise is not without application to railway stockholding. In the past, mistakes were made and the result was the loss of many millions of private capital. For these losses, existing stockholders do not expect any compensation, but bare justice suggests that the concrete results of their courage and enterprise should not be confiscated as a result of undue wage demands and utterly uneconomic conditions of industry.

Happily for British railway stockholders there exists a basis for compensation which has already been laid down by Parliament, *The Standard Revenue*. This furnishes a scale to the profits properly payable to railway stockholders, and there-

fore may equally properly be regarded as a basis of compensation should British railways be taken over by the State or absorbed into a greater entity embracing all forms of public transport.

The Railways Act of 1921, which grouped British railways into "The Big Four" of today, limited railway earnings to a revenue, which was expected to total £51,000,000 a year—that is, 4·7 per cent. upon the capital involved. To the present, this Standard Revenue contemplated by Parliament has not been reached. With the exception of 1926, the year of the General Strike, the worst year from the standpoint of Standard Revenue was 1932, when the net revenue was only £26,000,000. Even in this bad year British railways had a margin of £14,000,000 for the remuneration of share capital, after meeting interest upon debentures. In 1937 the railways failed to earn their Standard Revenues by the following percentages.

| | | | | |
|---------------|-----|-----|-----|--------------|
| Great Western | ... | ... | ... | 18 per cent. |
| L.M.S. | ... | ... | ... | 30 " " |
| L.N.E.R. | ... | ... | ... | 33 " " |
| Southern | ... | ... | ... | 8 " " |

Failure to earn the full revenue in any given year must not obscure the fact that the Standard was specifically included in the Railway Act of 1921 as a definite protection alike against undue Labour demands or too cheap fares and freight rates.

The Standard Revenue of 1921 is not the only precedent for legislative safeguards being afforded to shareholders in a public utility. There is another

in the treatment given to owners of the Underground railways and the omnibus and other transport companies taken over when the London Passenger Transport Board was formed. The Board was devised by a Labour Government in 1931, though it became law after the National Government came into power in the following year. Under its clauses the purchase price of the undertakings was fixed by a tribunal, specially appointed by Parliament, and the stockholders were paid out either in cash or in debenture stock in the new corporation, which itself raised the moneys needed to buy out the earlier owners. The feature of a public utility trust, such as the London Passenger Transport Board, is that it is not financed with the money of the taxpayer but of private capitalists. For this reason it is needful that the management should not only satisfy the conditions of successful transport management set forth by Mr. Herbert Morrison, but should ensure the continuance of dividend payments. It would be a gross imposition upon shareholders if their financial aid was sought, and, later, reductions of fares and rates or excessive wage increases should deprive their property of value.

The junior holding in the London Passenger Transport Board is the "C" stock, of which £25,698,000 has been issued. It is entitled to a dividend of $5\frac{1}{2}$ per cent., with a maximum of 6 per cent. Holders were further given the right to apply to the Courts for a receiver in the event of the Board failing to pay the appointed standard dividend for three

successive years. In 1938 this default actually came about, the dividends being:

| <i>Year to June 30.</i> | | | | | <i>Dividend Per Cent.</i> | <i>Statutory Rate Per Cent.</i> |
|-------------------------|-----|-----|-----|-----|-------------------------------|-------------------------------------|
| 1934 | ... | ... | ... | ... | 3½ | 5 |
| 1935 | ... | ... | ... | ... | 4 | 5 |
| 1936 | ... | ... | ... | ... | 4 | 5½ |
| 1937 | ... | ... | ... | ... | 4½ | 5½ |
| 1938 | ... | ... | ... | ... | 4 | 5½ |

The L.P.T.B. did not suffer any decline in traffic in 1937-38. Its receipts for the twelve months were £657,000 up. In this case the trouble was traceable to the increased ratio of working expenses, coupled with the allocation for maintenance and renewals which the management deem needful. £1,413,000 was needed to pay the "standard" dividend on the "C" shares, and the annual allocation for maintenance and renewals (about £2,400,000 a year) is well above the figure. Is the proper remedy a small increase in fares approximating to 2½ per cent., as some holders of "C" shares urge, or should holders quickly agree that they were treated too generously when the bargain was made with Parliament in 1932 and that the Board carries too big a burden of interest? There is little doubt that depriving shareholders of admitted rights would cause less disturbance than an increase in fares, so the temptation to take the line of least resistance must be considerable. As Lord Ashfield once said, "It is vital that we should keep the good-will of the public in considering any increase." In practice this often means that the shareholders' rights tend to be forgotten or thrust into

the background. The tendency is a dangerous one, and even if politicians find it useful to follow it, their masters, the voting public, will do well to check it. Better pay another $2\frac{1}{2}$ per cent. on omnibus and train fares than undermine the props which hold up the social system.

The London Passenger Transport Board does not represent nationalization in any proper use of the word, though it does represent a much larger measure of Government control than operates at present in the British railway system. The London Passenger Transport Board is a public corporation and stands not for public ownership but for operation in the interests of the public. The distinction is important. The executive officers, staff and employees are not civil servants, and if their work does not give satisfaction they are removable, as any employee in general industry might be. Moreover, being a public corporation the London Passenger Transport Board is under a statutory obligation to pay its way, an obligation which includes the payment of a proper dividend to all stockholders. There is much more likelihood of a management sensing public needs if the operating unit is a public corporation, than if it is part of the general civil service. Members of a Cabinet are not fitted to manage businesses. Moreover, an industry such as the railways might be subjected to pressure by electors in a furiously fought by-election. Large numbers of the electorate might easily have personal interests to serve and the temptation would be great to put pressure upon candi-

dates and thus secure promises of changes which were manifestly uneconomic.

It is gratifying to recall that this standpoint has the support of a large section of moderate Labour opinion. What follows is not the peroration of a public speech, but a prepared declaration in the House of Commons and concerned with a major item in the Labour Party's political programme. The measure was the London Passenger Transport Bill and the speaker Mr. Herbert Morrison:

"While the Government have decided that the principle of public ownership should be applied, they desire to make it clear that their intention and aim will be to assert and effectively to provide for the principle of commercial management of a self-supporting and consolidated transport system, thus ensuring the advantages of vigorous business enterprise. We take the view that, with efficient management, the potential earnings of London passenger traffic, fully co-ordinated as we propose, are such that no form of liability need be entailed upon public funds or public credit and upon that assumption we shall proceed."

The example of the London Passenger Transport Board has special significance, as it foreshadows the treatment which may be meted out to other railway stockholders in the event of the four main lines being nationalized. Until the foundation of the London Electric Railway Pool in 1915, each transport company in the area was an independent commercial concern, drawing its revenue and making its profits

entirely from the patrons who utilized its service. After the formation of the Pool the users of London transport paid for the service as a whole, and the process was completed when the L.P.T.B. came into existence. Parliament intended the Board to be not only self-supporting but capable of raising any needful capital by the issue of its own shares. It was recognized that the failure of the Board to do this would force the taxpayers to assume the burden, as railway and omnibus facilities are manifestly an essential service.

In other words, "putting the burden upon the back of the public" was the very thing Mr. Herbert Morrison desired to avoid when he decided to form a public utility trust, in preference to complete nationalization. When drafting the London Passenger Transport Bill he was careful to deprive the executive of any power to dip into the public purse, either nationally or locally. From the first the Board had to pay its way, and in the financial soundness of Mr. Morrison's scheme lay the real evidence of its author's statesmanship. Today, when the actual results are less happy than was expected, Mr. Morrison should be the last man to plead that he intended to bring a rickety infant into being which would never be master in its own house because an income adequate to its upkeep would be wanting. The L.P.T.B. represents a brave attempt to combine private ownership with the large-scale organization desirable in public transport, and, to the present, it has been happily free from political pressure.

An underlying purpose in the joint-stock system is to persuade the public to entrust their small savings to industry, and it would be pitiful if any sense of injustice should prejudice investors against the public utility trust system. In times past British railways were very successful in attracting investors, and usually these were not men and women seeking big profits. They were people who put their money into railways just because they were "playing for safety," and expected to find security in a public necessity as widespread and obviously essential as the national railway system. All public utility trusts should appeal to similar investors. It is not in the public interest that exorbitant sums or extravagant interest rates should be paid out to lenders of capital. But it is important that any public utility should be sufficiently prosperous to make even the junior stocks not a gamble but a reasonably safe investment.

Enough has been said to justify the belief that if State intervention becomes necessary existing stockholders in British railways have earned the right to a sounder security than Ordinary Shares are likely to be if unfavourable traffic conditions and Labour claims continue to depreciate the property. Here is an industry which carries something like two-thirds of the national transport and practically all the heavy stuff of the primary industries, an industry, moreover, which will be essential to public safety and survival in the event of war. Surely no further argument is necessary to enforce the truth that it must be kept in reasonable prosperity and that such

prosperity must not be secured at the expense of existing shareholders. In the past the Government has not been lax in laying burdensome responsibilities upon British railways, and it must not be lax in stopping its competitors from taking an unfair advantage of the statutory restrictions which at present hamper dividend-earning on the four main-line companies. Still less must the Government accept a policy of indiscriminate road building, which will cost scores of millions of pounds and, at last, put upon the shoulders of the public a bankrupt system of national transport. It cannot be denied that any settlement will be complex and necessarily cannot please all sections of interested opinion, but the need is so urgent that legislation must be faced and faced quickly. The tests of success must be those given in the opening pages of this review:

1. Just wages and working conditions for the employees.
2. Full efficiency in technical operations and rock-bottom fares and freight rates.
3. Justice similar to that extended to the workers for existing stockholders and providers of capital yet to be.
4. The assurance that extensive "political" interests shall not be created which, sooner or later, will involve the sacrifice of economic considerations to the whim of interested or uninterested voters.

Among the tests of success, the last may well be the most important, for none of the others can be

world to lead to inefficiency and financial danger, and that, if a general reconsideration of the railway problem should be undertaken, a preferable solution would be found in a semi-independent public authority which could be divorced from politics and which could within its definite sphere operate with energy and economy.

But in any solution proposed, it is essential to bear in mind the complicated and widespread nature of railway work, which differentiates the duties of the main-line railways, not merely from monopolistic bodies such as the Central Electricity Board or the British Broadcasting Corporation, but even from such a body as the London Passenger Transport Board, which operates under a limited monopoly within a strictly defined area. Unless and until something in the nature of national co-ordination of transport is considered necessary, the main-line railways must continue to operate, not as a monopolistic body, but as one exposed to increasing competition. Such a state of affairs requires a considerable degree of independence in matters of policy, in methods of working and in respect of rates and services. Such independence is not possible unless the four main lines are placed on equal terms with their active competitors. To give such equality is, at the moment, the obvious duty and the urgent task of the Legislature.

APPENDIX

THE following returns, covering the receipts of the four main-line railways in 1938, amplify the figures for 1937 on pp. 121-123. As a result, about £360,000,000 of stock was dividendless in 1938, compared with £78,000,000 in 1937.

| <i>Company.</i> | <i>Stock.</i> | <i>Issued.</i> | <i>Dividend.</i> | 1937. | <i>Dividend.</i> | 1938. |
|-----------------|-----------------|----------------|------------------|-------|------------------|-------|
| | | £ | £ | % | £ | % |
| London, Midland | 4% Pref. (1923) | 40,133,987 | 1,605,359 | 4 | — | — |
| | Ord. | 95,202,441 | 1,428,037 | 1½ | — | — |
| L.N.E.R. . . | 4% 1st Pref. | 48,222,669 | 1,928,907 | 4 | — | — |
| | 5% Pref. (1955) | 4,014,400 | 200,720 | 5 | — | — |
| | 4% Sec. Pref. | 66,142,180 | 1,157,488 | 1¾ | — | — |
| | 5% Pref. Ord. | 42,360,925 | — | — | — | — |
| | Defd. Ord. | 35,923,810 | — | — | — | — |
| Great Western | Cons. Ord. | 42,929,732 | 1,717,189 | 4 | 214,649 | ½ |
| Southern . . | 5% Prefd. Ord. | 27,586,601 | 1,379,330 | 5 | 1,379,330 | 5 |
| | Defd. Ord. | 31,490,242 | 472,354 | 1½ | — | — |

| | <i>Gross Railway Receipts.</i> | <i>Net Revenue.</i> | <i>Gross Railway Receipts.</i> | <i>Net Revenue.</i> |
|-------------------|--|-------------------------|--|-------------------------|
| | 1937. | 1937. | 1938. | 1938. |
| | £ | £ | £ | £ |
| London, Midland | 67,234,080 | 14,356,276 | 64,212,115 | 11,345,520 |
| L.N.E.R. . . | 49,086,681 | 10,107,442 | 46,656,115 | 6,653,167 |
| Great Western . . | 28,110,846 | 6,886,505 | 26,829,140 | 5,043,753 |
| Southern . . | 22,113,580 | 6,552,124 | 22,012,051 | 5,941,904 |

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